

Bureau
of
War Risk Insurance

Reports & Statistics
DVB

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ANNUAL REPORT OF THE
Director of the Bureau of
War Risk Insurance

FOR THE FISCAL YEAR
ENDED JUNE 30

1920



WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

TREASURY DEPARTMENT,

Document No. 2886.

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ANNUAL REPORT OF THE DIRECTOR OF THE BUREAU OF WAR RISK INSURANCE.

TREASURY DEPARTMENT,
BUREAU OF WAR RISK INSURANCE,
Washington, October 15, 1920.

SIR: I have the honor to submit herewith my annual report, covering the activities of the Bureau of War Risk Insurance for the fiscal year ended June 30, 1920.

In order that this report may be of the utmost value, there is included a brief outline of the bureau's activities from its inception.

Part I.

ORIGIN OF THE BUREAU OF WAR RISK INSURANCE.

In these days the name "Bureau of War Risk Insurance" is a misnomer, for this bureau administers more activities than are indicated by such a descriptive title. The bureau is more than a bureau of insurance, for its functions have not been limited to the insurance field but have encompassed activities reaching into almost every home of the Union. The bureau scope has included:

- (1) War-risk insurance (not marine) of hulls, cargoes, and freight.
- (2) Insurance of merchant seamen against death or disability.
- (3) Payment of Government allotments and family allowances to enlisted men's dependent relatives while enlisted men are in military or naval service.
- (4) Payment of compensation (without cost) for death or disability as a result of military or naval service.
- (5) Hospitalization and medical and surgical treatment of discharged soldiers and sailors, including the furnishing of prosthetic appliances.
- (6) Granting of insurance to members of the military and naval service.
- (7) Administration of soldiers' and sailors' civil relief act as regards insurance.
- (8) Administration of the District of Columbia school-teachers' retirement act.
- (9) Administration of trading with the enemy act as regards insurance.

The Bureau saw its origin as a result of number (1) above. Immediately on the outbreaking of the European war in 1914, Congress, in order that the commerce of the United States might be adequately protected, created a bureau in the Treasury Department charged with the duty of insuring American vessels, their freight, and cargoes against loss or damage from the risks of war. It is to be noted that this did not cover marine insurance, but solely covered war risks.

The creation of a thousand forests lies in one acorn, and so the creation of a great comprehensive scheme of protection for soldiers, sailors, and marines and their families and dependent relatives during the active war period had its nucleus in a minor bureau created for a subsidiary issue.

From September 2, 1914, when the bureau was created by enactment of Congress, until October 6, 1917, when the Military and Naval Division was created by further enactment of Congress, legislation was passed greatly extending the scope of the bureau, so that on June

12, 1917, it was permitted by law to insure the crews of vessels against death and disability resulting from war.

On October 8, 1917, there was passed an act which has proved one of the most beneficent pieces of legislation ever enacted either in this or any other country. On that day the President approved the act passed by Congress creating a Division of Military and Naval Insurance in the Bureau of War Risk Insurance, responsible in its operation to the Secretary of the Treasury and under the immediate supervision of a Commissioner of Military and Naval Insurance. The selective-service draft had become a realization, and the great democracy was training its citizens into soldiers without discrimination as to class, caste, or creed, and the country on that day registered its wish to protect with humane and generous provisions the manhood of this great democracy which had been called into active service. As the pay of the enlisted man had been increased about 100 per cent, Congress felt that the drafting into the military service of the country did not withdraw the legal and moral obligation of every man to contribute to the support of his family; therefore the provision was made for the payment of allotments with Government allowances to dependent relatives of enlisted men under certain stipulations. Congress had in mind, undoubtedly, the pension complication resulting from previous wars, and wished, if possible, to lay the foundation of a structure which would avoid a repetition of this condition. It provided, therefore, not service pensions, but compensation of a monetary nature for death or disability resulting from war service. This compensation scheme was in the main formulated on the basis of the workmen's compensation acts of the various States, with this fundamental difference: That the compensation was based not upon the man's past earning power, but upon his family status and his injury.

As insurance has been and still is a great factor in the family life of the American people, Congress was anxious that the men who were called into the service should not have their insurability thus destroyed and be rendered incapable of securing from a private insurance company such insurance as they might wish. In view of the war hazard, private companies, most of which, as a matter of fact, are mutual insurance companies, could not with propriety and with safety have granted insurance to the men called into service without asking them to pay a premium to cover the war risk involved. Congress undertook to grant insurance to soldiers and sailors at a premium rate which took account only of the peace-time risk, leaving the whole expenses of operation, the cost of disability benefits, the cost due to the war hazard to be borne by the country at large as a part of the cost of the war. Thus it is to be seen that the Bureau of War Risk Insurance had at heart the welfare of the families and dependents of our fighting men, had at heart the sustaining of the fabric of the country and the maintenance of the morale, not only of our fighting forces but also of the great civilian population which necessarily had to stay behind and support those who were fighting our battles.

The bureau is now six years old, but its gigantic operations are of such recent origin that one can not judge fairly or in proper perspective the efficacy of the legislation or of its administration. The

verdict of time will show its value clearly and fairly. In the meanwhile it must be remembered that in spite of difficulties and mistakes the bureau has accomplished a gigantic task and has carried to the farthest corners of the country that help and protection which the Congress of the United States, representing the people of the United States, desired for its soldiers, sailors, and marines.

The accomplishments of the bureau might be summed in brief:

1. Marine insurance (war risk) (total amount written)---	\$2, 390, 074, 384. 82
Premiums received on above, less claims paid (representing profit)-----	\$17, 500, 897. 92
2. Allotments and family allowances paid-----	\$554, 691, 626. 00
3. Compensation for death or disability as a result of service (total expenditure to June 30, 1920)-----	\$114, 765, 422. 84
4. Insurance on military and naval forces (total volume war-risk term insurance written to June 30, 1920)-----	\$40, 284, 892, 500. 00
Death and total and permanent disability claims on above (to June 30, 1920)-----	\$1, 170, 354, 673. 48
Ultimate cost of insurance to taxpayers, approximately (cost over premium income)-----	\$900, 000, 000. 00
5. Patients admitted to hospitals-----	54, 779
Patients given treatment and examination-----	452, 609

ALLOTMENT AND GOVERNMENT ALLOWANCE.

By Article II of the war-risk insurance act of October 6, 1917, provision is made for the granting of allowances by the Government to the families and dependents of enlisted men in the military and naval forces of the United States. An enlisted person, in order to receive an allowance from the Government, must make an allotment from his pay and must make application for the allowance. There are two classes of allotments: (a) Compulsory allotment to a wife, child, and former wife, divorced; and (b) voluntary allotment for parent, brother, sister, and grandchild. Thus the law requires the soldier to allot a certain amount of his pay to certain classes of dependents, namely, to a wife, a divorced wife to whom alimony has been decreed, or a child. He has no choice in the matter. To certain other classes of dependents, namely, parents, brothers, sisters, and grandchildren, he may, if he wishes, allot part of his pay also. To these allotments the Government adds certain allowances, not to exceed \$50 per month, and the amount of the total allowance in each case is determined by the number of members in the family and the amount of the enlisted man's habitual contribution to their support.

This legislation was both liberal and fair, recognizing the legal and moral responsibility of the man to meet the burden which rests upon him in supporting his family and at the same time recognizing his inability, while absent from home on military duty, to maintain the usual standard of comfort and support. The Government, therefore, agreed to contribute its share, which may amount to a contribution of more than three times the sum which the enlisted man is required to allot for the support of his family.

COMPENSATION.

By Article III of the war-risk insurance act of October 6, 1917, provision is made for monetary compensation for death and disability in the line of duty at the sole expense of the United States

and on a liberal scale. The injury incurred or the disease contracted must have been in line of duty and payment begins upon discharge from active military or naval service. The payment of compensation applies to those who have suffered disability to the extent of 10 per cent or more, with additional compensation for a wife, child, or dependent parents.

In addition to the payment of compensation, Article III further provides that the United States shall furnish such reasonable governmental, medical, surgical, and hospital services, and such supplies, including artificial limbs, surgical appliances, and trusses, as "the Director shall determine to be reasonably necessary." The wounded, sick, and disabled ex-service men or women after discharge from the active military or naval service are afforded the best hospital facilities available, and in the event of amputation are furnished, where necessary, with the most highly perfected artificial limbs and surgical appliances which modern invention has devised.

INSURANCE.

By Article IV of the war-risk insurance act of October 6, 1917, provision is made for granting term insurance "so called," to the members of the Military Establishment. Such insurance protects the beneficiaries of those insured in case of death and protects the men in the service themselves in case they become totally and permanently disabled. By this feature of the act the United States Government embarked upon an entirely new enterprise, an enterprise without parallel in the history of mankind, one which subsequently resulted in the liability on the part of the Government of nearly \$40,000,000,000, a sum far in excess of the total amount of insurance in force with all the commercial companies in the United States. By the terms of the insurance so applied for, men and women in the military and naval service were enabled to secure from \$1,000 to a maximum of \$10,000 life insurance, payable in the event of death or total permanent disability, no matter from what cause resultant and irrespective of whether such death or total and permanent disability was the result of conditions incident to military service or civil life. The insurance was granted at a premium calculated without regard to the disability risk incurred and without reference to the great war hazard involved, no limit as to age, and was furnished at a cost which does not include the expense of administration and management which private business companies would be forced to include; neither does it include the extra cost for the disability feature of the policy. The liability to the country of this beneficent legislation, in excess of premiums collected, has been over \$700,000,000.

Article IV further provides under section 404 that not later than five years after the date of termination of the war as declared by proclamation of the President the term insurance may be converted without medical examination into such form or forms of insurance as may be prescribed by regulation and as the insured may request. All the usual permanent forms of insurance issued by commercial companies are available for the purpose of conversion. Insurance authorized under the provisions of this section of the act is known

as United States Government life insurance, and, despite rates on the same generous terms, provides protection similarly against death and permanent and total disability, with additional attractive features as to the method of payment on matured policies and as to an enlarged class of persons that may be named as beneficiaries.

PRIVATE INSURANCE HELD BY MEMBERS OF THE MILITARY AND NAVAL ESTABLISHMENT PROTECTED BY THE GOVERNMENT.

The soldiers' and sailors' civil relief act (act of Mar. 8, 1918) added another province to this group of insurance benefits. By this legislation the United States, through the Bureau of War Risk Insurance, was authorized to provide for the underwriting by the Federal Government during the period of the war and for one year thereafter the guaranteeing of the payment of the premiums on certain policies held in private insurance companies by members of the military and naval forces, and to thus insure against the possible sacrifice by those insured of their life-insurance protection through the lack of sufficient funds to pay the premiums thereon. The Government had a lien against all such policies protected.

DIFFICULTIES IN ADMINISTRATION.

This vast and far-reaching governmental enterprise, eventually affecting a military force of nearly 5,000,000 men and women, which upon the very passage of the act was faced with the problem of immediately paying benefits to almost a million dependents and the innumerable tasks incidental to discharging such duties, was undertaken by a nucleus of organization of 20 persons, having no equipment to perform such work and no building space, or personnel immediately available. The problem which had to be met by such an organization may be more adequately understood when it is stated that two days before the passage of the war risk insurance act of October 6, 1917, which authorized the establishment of the bureau, 20 bags of mail addressed to the bureau were in Washington awaiting attention. Officials realized that the failure to act promptly would result in severe hardships to the dependents of men in training camps, and many pitiful cases of need came to the attention of the bureau, especially as the strenuous winter of 1917 advanced and the difficulty of obtaining coal and fuel was felt even by those not dependent upon the Government for support. It was plain to the bureau that the families of the fighting men needed its assistance as quickly as possible, and that every effort should be made, even at considerable sacrifice, to get checks to the families of these men at the very earliest moment. But before one check could be mailed a prodigious amount of work had to be planned and accomplished. It was estimated that the degree of dependency in the Army would approximate 45 per cent of the total enrollment. Therefore about 900,000 applications would be made as soon as the doors were opened. To meet such a problem effectively would have been most difficult even had there been an efficient and trained corps of clerks to perform the work; but help of any kind, efficient or inefficient, was not available, and ordinary tables, desks, typewriters, not to mention other labor-saving

devices that should be used in the modern office, could not be found. Nor was there to be had any adequate office space for the work. It was known from the beginning that it would be necessary to recruit and train forces which would probably number thousands from resources almost exhausted by the tremendous expansion of the War and Navy Departments in Washington, which had already drawn the more efficient people. So the country was combed for help, and gradually thousands of people, 90 per cent of whom were women, were brought to Washington, but they were for the most part untrained, and in many instances young girls, mothers, and grandmothers were alike pressed into service.

There was no building or group of buildings available adequate to house this bureau, and at one time it occupied 18 different buildings spreading over an area of several miles, occupying warehouses, stores, garages, dance halls, office buildings, and clubhouses, and even the great National Museum, where stuffed animals and innumerable cases of historical exhibits were moved to make room for the patriots engaged in administration of the war risk insurance act. It should be pointed out that the work of the Bureau involved literally millions of small business transactions which dovetailed and interlocked with each other at every turn. It was therefore an almost insurmountable obstacle that the work had to be done by untrained persons widely scattered. It was impossible to work accurately under these conditions, but nevertheless every effort was made with the view that the thousands of beneficiaries dependent upon the bureau for their daily necessities should receive the money so badly needed by them.

The achievements of the bureau are less likely to attract public attention than its errors. Beneficiaries of the bureau accept what they receive as a matter of course, but those whose individual needs were not immediately met were prone to condemn the bureau, dismissing any consideration of the stupendous problem with which it was confronted. Not only should it be remembered was there a severe lack of facilities in Washington with which to carry on the work of the bureau properly, but it should also be borne in mind that when the bureau first opened its doors there existed a tremendous handicap in that it had to deal with an Army of 2,000,000 and a Navy of 200,000 scattered over this country and Europe, and had to cope with a steadily increasing military force of between 200,000 and 300,000 per month.

At the time of the passage of the war risk act of October 6, 1917, plans were immediately formulated whereby the War and Navy Departments became responsible for the proper execution and the forwarding of all allotment and allowance applications and applications for insurance. In order to make this work effective, War Risk officers and enlisted personnel were stationed in Washington, both at the War Department and Navy Department, and a War Risk officer with enlisted personnel was placed in charge at the various training camps, cantonments, and ports of embarkation and debarkation, as well as the formation of a War Risk section with the American Expeditionary Forces. All orders relative to the proper execution and disposition of allotment and allowance applications and insurance applications were issued by the Treasury Department, which in turn

were transmitted to the personnel of the Army and Navy in the form of military regulations. The bureau for the most part was compelled to rely for its contact with all soldiers and sailors upon Army and Navy personnel, who, in many instances, were untrained in this particular work and whose attentions and efforts were almost wholly required in the handling and training of new men. The bureau was forced to rely upon such overworked officers and clerks not only for material information but for the necessary action in all negotiations with the enlisted man or woman. And yet, during this period, while the bureau was issuing over a million allotment and allowance checks per month, or 4 miles of checks per day, through the cooperation of the military and naval organization, it was able to issue insurance on the lives of over 4,000,000 men and women, giving protection to over 90 per cent of the fighting forces.

WAR RISK SECTION, AMERICAN EXPEDITIONARY FORCES.

It was a difficult problem to handle these intricate allotment and allowance, compensation, and insurance matters with the rapidly increasing size of the military and naval forces stationed within the boundaries of the United States. Even more difficult was the problem of organizing this same work with the American Expeditionary Forces and with the United States naval forces operating in European waters.

Realizing that plans would have to be immediately formulated for the handling of all war risk matters with the military and naval forces overseas, both the War and Navy Departments detailed an officer in charge of organizing the overseas personnel; and so it was that Maj. Willard D. Straight, A. G., was detailed by the War Department and Maj. Henry Leonard, Marine Corps, by the Navy Department for the purpose of handling all war risk insurance matters in Europe.

Both of these officers, in close cooperation with the Treasury Department and the then Director of the Bureau of War Risk Insurance, made such preparations as were necessary for the physical handling of their work, and War Risk units were developed and trained by both of these officers.

On December 11, 1917, these detachments sailed from New York on the R. M. S. *Adriatic*, arriving at Liverpool on Christmas Eve, December 24, proceeding immediately to Southampton, crossing the Channel to Le Havre, and then on to Paris, where headquarters were established.

It was the problem of the Navy War Risk Section with the United States naval forces operating in European waters to reach all of its officers and enlisted personnel, and it was the problem of the War Risk Section of the American Expeditionary Forces to reach all of its officers and enlisted men throughout the American Expeditionary Forces. Contact was immediately established by the Navy Overseas War Risk Section with all naval stations and with ships by wireless, which resulted in the very efficient handling of all War Risk matters throughout the entire United States naval forces operating in European waters.

In the handling of War Risk matters with the American Expeditionary Forces the situation was most difficult, for American troops were already scattered in training areas throughout Great Britain and France, and others were already in the line.

Orders were immediately issued by the commander in chief of the American Expeditionary Forces establishing a War Risk Section with Maj. Williard D. Straight as chief of the section. This was a separate and distinct section.

From the very beginning every facility was extended to the War Risk Section, all orders for personnel, travel, and for office accommodations, being expedited; and where, in several instances certain facilities were not to be had, the American Red Cross, through their headquarters in Paris, made available not only personnel, but equipment, including the smaller type of automobiles, which were absolutely essential in order that members of the War Risk Section could reach the officers and men who were scattered throughout all of France.

It was not long before War Risk offices were established at the following ports of debarkation:

Great Britain:

Liverpool.
Southampton.
Folkestone.
Dover.

France:

Le Havre.
La Rochelle.
Cherbourg.
Brest.
St. Nazaire.
Bordeaux.
Marseille.

and by this method all troops arriving were thoroughly canvassed and all War Risk matters, affecting either officers or enlisted personnel, were straightened out before leaving the rest camps at the ports for training areas or for duty in the line.

Since general orders had been issued to the effect that a War Risk Section had been established with headquarters first in Paris, and subsequently in Tours (being headquarters of the Services of Supply), all correspondence arising throughout the American Expeditionary Forces on War Risk matters was directed to the headquarters of the War Risk Section in order that all matters might be adjusted there, and such matters then requiring attention in Washington would be forwarded in special mail sacks marked "Expedite."

As regards taking advantage of the insurance feature of the war risk insurance act, it is rather interesting psychologically to note that even though nearly all officers and men had been given an opportunity to make application for the maximum amount of \$10,000 of Government insurance before leaving the United States, many of them did not avail themselves of this opportunity until debarking on foreign soil and still others did not avail themselves of the opportunity until they were actually in the trenches. Many men availed themselves of the opportunity only a few hours, and sometimes minutes, before they were killed or seriously wounded while on duty in the trenches.

Some idea of the great work done by the War Risk Section of the American Expeditionary Forces may be gained by the fact that the insurance written abroad totaled \$1,425,000,000. The records made

necessary by the handling of hundreds of thousands of cases of insurance and ~~allotment~~ and allowance can be more clearly described by the statement that after the armistice, when the files and records of the War Risk Section were returned to the United States, the records themselves weighed 26 tons.

Maj. Leonard continued in charge of the Navy Overseas War Risk Section throughout the entire war; whereas Maj. Straight was ordered in February, 1918, to the Staff College, after which he served with distinction on staff duty with combatant troops, and later died of double pleural pneumonia. Col. Henry D. Lindsley succeeded Maj. Straight as Chief of the War Risk Section, and was subsequently succeeded by Col. R. G. Cholmeley-Jones, the present Director of the Bureau of War Risk Insurance.

It is an interesting incident to recall that many of the personnel of the War Risk Section of the American Expeditionary Forces became associated with the Bureau of War Risk Insurance upon their return to the United States and discharge from the military service, including among those Lieut. Col. George E. Ijams, Assistant Director in Charge of Finance and Administration.

The results which have been accomplished by the bureau, especially during its infancy, are amazing when considered in the light of the many serious handicaps briefly outlined herein. And the present director, whose appointment dates from May 19, 1919, using as a basis the previous accomplishments of the bureau, has become conscious of the fact that had it not been for the wonderful patriotism and courage shown not only by the officials but by the thousands of bureau employees engaged in its work, such beneficial results would never have been so effectively attained.

In the light of past wars it can be said with absolute truth as a result of the war risk insurance act and its administration, and in spite of its unparalleled obstacles, that never in history was a war fought with so few hardships and privations in the homes of the men called forth to war.

Part II.

The appointment of the present Director of the Bureau of War Risk Insurance became effective May 19, 1919, or just a month and a half prior to the beginning of the fiscal year covered by this report, at which time the total personnel of the bureau numbered 13,330.

Additional necessary personnel was secured, reaching a maximum of 15,480 in July of 1919.

During the time that intervened between May, 1919, and July of that year the Director had the opportunity to study carefully the detailed operations of the bureau. He immediately became conscious of the fact that while the responsibility of conducting the affairs of the bureau rested upon the Director, subject, of course, to the general supervision of the Secretary of the Treasury, the full counsel and co-operation should be secured of all who were equally interested and concerned in order to make the bureau's work most effective, and so that the provisions of the war risk insurance act could serve effectively all those whom Congress intended should be benefited thereby.

It was immediately necessary by improved service to gain the confidence of all those having contact with the bureau, which involved residents in almost every State, city, town, and hamlet in the United States and its possessions, and also many foreign countries. It was apparent also that unless the dissatisfaction among the people to be served (which had been due either to their ignorance of their rights or to their unfamiliarity with the best methods of securing those rights) was removed and confidence instilled, the problem of serving them would become more and more difficult.

With a view to the improvement of the service by effectively coordinating and consolidating the many separate activities, the Director dispatched an invitation by telegram to a specially selected list of persons, each of whom was particularly qualified to lend counsel and aid in the solution of the many important problems then before the bureau, particularly with reference to proper reorganization and the administration of the bureau. The invitation called for a conference in Washington covering a period of three days—July 18, 19, and 20, 1919. The telegram signed by the Director and the list of those to whom it was addressed follow:

CONFIDENTIAL.

There is no matter which more directly involves the honor of the Nation than that with which the Bureau of War Risk Insurance deals.

Since my appointment as Director of the bureau, on May 19, 1919, I have been making an exhaustive study of its operations and have instituted several important changes. Realizing so thoroughly the vastness of the problem and its effects upon the country at large, I deem it a matter of great importance that I have immediately, for the purpose of effecting a thorough program,

the benefit of the strongest possible counsel. For this reason the Secretary of the Treasury and I are inviting the following persons to meet in Washington July 15, 1919, in a special conference to last three days, that I may present the facts as they exist, and that a careful review of the work already accomplished and to be accomplished may be made by the conferees whose names are as follows:

Charles E. Hughes, chairman.
The Secretary of War.
The Secretary of the Navy.
Grosvenor B. Clarkson.
Matthew Woll.
Homer L. Ferguson.
H. P. Davison.
John C. Ager.
The Chairman of the Executive Committee of the American Red Cross.
Colin H. Livingstone.
Mrs. August Belmont.
Mrs. Mary Roberts Rinehart.
Miss Hannah J. Patterson.

The Secretary of War, the Secretary of the Navy, and Director Clarkson, being in Washington, have already accepted this invitation and will serve in person. The speed with which the Army and Navy are now being demobilized necessitates dealing with each individual discharged man rather than with the Military and Naval Establishments, and certain steps must be taken at once to successfully accomplish the large work of the bureau that it may give satisfaction to those men who have rendered such magnificent service to their country. In the selection of the committee the Secretary of the Treasury and I have considered only the matter of service to the discharged soldier, sailor, and marine and his dependents, and the peculiar fitness of each one selected to successfully accomplish this service. May I respectfully urge that you add to the distinguished contribution which you have already given to the Nation by accepting this invitation at the earliest possible moment?

During the three days of the conference the members of the committee were given the benefit of a very comprehensive report of the major activities of the bureau, visualized by a personal inspection of the various offices. The full text of the report of the conference committee follows:

REPORT OF ADVISORY COMMITTEE.

Hon. R. G. CHOLMELEY-JONES,
Director, Bureau of War Risk Insurance.
Washington, D. C.

SIR: In response to your invitation, we have convened as an advisory committee for a three days' conference touching the work of the Bureau of War Risk Insurance.

You have not requested that we should inquire as an investigating committee into the past operations of the bureau, and, of course, it would have been impossible in the short period of our conference to conduct an investigation with respect to the payment of allotments and allowances, the determination and payment of claims, and the activities of the bureau in relation to insurance. Our conference has been solely for the purpose of giving you such counsel as we could appropriately give with respect to the future work of the bureau upon the basis of the facts you have submitted.

We have had the opportunity of listening not only to your own review of the situation, but to the statements of the heads of departments, and we have been impressed with the earnestness and sincerity of those now in charge of the administration of the bureau and with the evident desire of yourself and your assistants to perfect administrative methods in every possible way.

It is manifest that the administrative difficulties in an enterprise of this magnitude are very great. The stupendous character of the undertaking may be judged by the fact that approximately forty billions of insurance have been written through the bureau upon the lives of soldiers, sailors, and marines. Under the law the original term insurance may be converted without medical examination into ordinary life, 20-payment life, endowment maturing at age 62, and other

usual forms of insurance, so that the Government in the interest of our soldiers, sailors, and marines in service during the Great War has entered into a business enterprise of colossal proportions which is to continue for a long period of years.

One difficulty of paramount importance at the moment lies in the fact that about 30 per cent of the addresses of discharged soldiers, sailors, and marines are found to be incorrect, and consequently notices are returned and the bureau has found itself unable to communicate with this large proportion of those for whose benefit the bureau was established. This, of course, must be immediately rectified and correct addresses secured. The remedy for this present difficulty, however, raises a broader question, and we are persuaded that the bureau can not properly perform its function in furnishing suitable contact with its beneficiaries and prompt and satisfactory discharge of business, unless there is accomplished without delay a systematic decentralization, so that there may be at suitable points throughout the country local representatives of the bureau through which the business in the defined districts may be transacted. This vast undertaking can not, we are persuaded, be carried out merely through correspondence with a central office in Washington. To attempt to do so would inevitably cause delays and misunderstandings and create a widespread dissatisfaction with an enterprise which to be successful must command a high degree of confidence.

It is regrettable to note that approximately three-fourths of the holders of existing policies have not continued their payments, and it is highly important that during the period allowed for reinstatement every effort should be made to bring home to our soldiers, sailors, and marines the importance of continuing their insurance which has behind it the obligation of the United States, and thus to secure to the full the advantages which it was the intention of Congress that they should enjoy.

The Government gave its term insurance virtually at cost on a basis of peace conditions—that is, upon the basis of the American experience table of mortality without any additional charge for the war risk and without any charge for administrative expenses. Under the plan for converted insurance the Government continues to assume the burden of the expenses of administration. It is thus obvious that this insurance with the guaranty of the United States behind it should be availed of by our soldiers, sailors, and marines, an opportunity accorded to them in recognition of their service and sacrifice.

We are informed that a considerable number of applications for permanent insurance have been received. The Government is committed to the plan of permanent insurance and it is advisable, in order to prevent a possible or avoidable loss, to attract the favorable as well as the less favorable risks. The interest of the soldiers, sailors, and marines and the interest of the Government in carrying out the plan which it has undertaken may be said to coincide and it is to be hoped that there will be a general reinstatement of policies and an acceptance by all of the exceptional opportunity for insurance at low cost which the Government has offered. To accomplish this it will be necessary to be in constant touch with the insured during the period of insurance.

We understand that it is the opinion of the bureau that some changes are desirable to make the terms of the converted policies more just in certain particulars and thus to make the policies more attractive. Thus, for example, the permitted class of persons who may be expressly designated by the insured as beneficiaries should be extended so as to include a person who has stood in loco parentis to the insured or his wife for a period of not less than a year. The proposed changes have already formed the subject of recommendations to Congress by the bureau and doubtless will receive the most careful consideration.

We make the following recommendations:

First. We recommend that a qualified representative of the bureau be instructed to proceed immediately to the capital of each State to confer with the governor of the State for the purpose of securing the aid of the State and the officers of cities and counties in obtaining correct addresses of soldiers, sailors, and marines and their dependents residing within the State. We recommend further, that in order to correct the address list, immediate effort be made to elicit the cooperation of all voluntary agencies available for the purpose, such as the American Red Cross, the American Federation of Labor, and the other associations which have so helpfully contributed their aid in connection with war activities.

Second. We recommend that the bureau immediately proceed to establish local representatives in each State, or in such districts as it may seem advisable to divide the country for this purpose, to the end that there may be constant provision for personal contact with the insured soldiers, sailors, and marines, and their dependents, for the procuring by them of information with respect to their privileges and obligations, for the local payment of premiums and furnishing of proofs, and for whatever local business may be conveniently transacted within the district.

Third. That the cooperation of voluntary agencies desired to meet the immediate exigencies of the bureau should be secured to the fullest extent possible to the end that their aid may always be available for the purpose of reaching the insured.

Fourth. That in addition to the means already suggested, and the cooperation of these agencies, there should be started a publicity campaign through adequate advertising for the purpose of giving information to soldiers, sailors, and marines, and their dependents, with respect to allotments, allowances, and compensation and for the purpose of directing attention to the importance of the reinstatement of policies and the continuance of their insurance by the soldiers, sailors, and marines.

Fifth. It is apparent that the undertaking of the Government to provide permanent insurance for the soldiers, sailors, and marines is a business undertaking which can not successfully be continued except upon business principles. We deem it of vital importance that immediate steps should be taken, and appropriate legislation should be secured, for the purpose of adequately organizing the bureau upon a permanent business basis, with such provision for compensation to the head of the bureau, and to the experts who must be employed, that men of the highest executive ability which the magnitude of the undertaking demands may always be available.

The bureau at present has been able to secure the services of experts at considerable personal sacrifice, in view of the war emergency, but the Government can not contemplate the continuance of the business upon such a basis. The Government has entered a field calling for special knowledge and administrative skill and the enterprise will not be successfully conducted unless the bureau is so equipped and supported that men of superior talent and wide experience may be called to the service.

It has been a pleasure to attend the conference at your request, and we desire to record our appreciation of the courteous response which has been made to our inquiries.

Respectfully, yours,

CHARLES E. HUGHES,
Chairman.

Newton D. Baker, Secretary of War; Josephus Daniels, Secretary of the Navy; Grosvenor Clarkson, Director United States Council National Defense; H. P. Davidson; Elenor R. Belmont; Hannah J. Patterson; Colin H. Livingstone, President Boy Scouts of America; Livingston Farrand, Chairman Executive Committee American Red Cross; John G. Agar, National Catholic War Council; Matthew Woll, Vice President American Federation of Labor.

WASHINGTON, D. C., July 17, 1919.

Of the two remaining members of the committee, Mrs. Mary Roberts Rinehart was unable to attend the meeting of the committee on account of illness, and Homer L. Ferguson was unable to be present at the final session of the committee on account of other pressing engagements which required his presence in New York.

Having benefited by the counsel of this special committee, of which ex-Justice Charles E. Hughes was chairman, further cooperation was sought through establishing contact with the following leading volunteer social agencies:

Jewish Welfare Board.

The Salvation Army.

Knights of Columbus.

National Catholic War Council.

National Tuberculosis Society.
Young Women's Christian Association.
The American Legion.
American Jewish Relief.
War Camp Community Service.
Young Men's Christian Association.
Veterans of the World War.

A conference with these various volunteer social agencies was deemed advisable since they had all taken an active part in dealing with the Government's war problem, and more especially in view of the fact that this problem affected directly or indirectly the dependent relatives of nearly 5,000,000 men and women who served in the active military or naval forces during the World War. It was furthermore quite necessary that contact be established with these volunteer agencies inasmuch as the Bureau of War Risk Insurance had no field organizations but was forced to conduct its entire business, involving more than 5,000,000 ex-service men and women and their dependents, through a single central office in Washington, D. C.

The result of the last-mentioned conference was most satisfactory. It was definitely agreed just what part each organization would play in the nation-wide program to reach every discharged ex-service man or woman, with particular attention to those who had become disabled by reason of their active military or naval service, as well as the dependent relatives of those who died or were killed in the service. It was further agreed that the means of establishing this contact would be accomplished by personal visits on the part of the members of these volunteer organizations, supplemented by the circulation of literature and folders to be prepared and distributed by each of these organizations under its own name and at its own expense. The program outlined during the day's conference was immediately put into operation, and its beneficial value was reflected in the alleviation of much suffering and dissatisfaction throughout the United States by effecting speedy adjustment in many thousands of worthy cases.

During the early months of the fiscal year covered by this report, the service rendered the bureau by the American Legion developed very rapidly. There was installed in the national headquarters of the American Legion a War Risk officer to take charge of all matters requiring the attention of the Bureau of War Risk Insurance; also a War Risk officer was appointed on the executive staff of the American Legion in each State, and in a large majority of American Legion posts a War Risk officer was appointed for the purpose of handling all War Risk matters on behalf of ex-service men and women and their dependent relatives. As a natural consequence, at the first annual convention of the American Legion, held in Minneapolis in November, 1919, a committee was formed of the War Risk representatives of the different States, which made valuable progress toward evolving a constructive program for the ensuing year. The nature and character of this work is reflected in the following excerpt from one of the resolutions originating at the national convention:

What the American Legion shall do: Launch an active campaign to obtain at once for ex-service men and their dependent relatives the benefits of the

war-risk act, and to that end that there be provided by each State organization of the Legion, a War Risk officer, paid, if possible, who shall immediately organize his State through the local posts, in order to bring about prompt adjustments and settlements with the War Risk Bureau; and that this campaign be given active cooperation by the American Legion publication; and, further, that there be furnished to these officers and each of the Legion's posts, the addresses of which shall be furnished the bureau, copies of all publications, informative literature, rulings, and instructions issued by the War Risk Bureau.

In order to further advance constructively the organization of the American Legion's War Risk activities, the following telegraphic message was forwarded by the Director to the national commander and to the commanders of each State:

You are urged to attend an important three-day conference to be held in Washington, commencing Monday, December 15, of all the State commanders of the American Legion and the grand national commander. This meeting will consider all matters affected by the resolutions passed by the American Legion at the Minneapolis convention and also for the consideration of pending legislation. An opportunity will be given for a thorough review of the work of the bureau, its present condition, and future progress. An opportunity will be afforded for an interview with official representatives of the Vocational Board, the Public Health Service, the Red Cross, and possibly the members of the committees of the House and Senate that have to do with war risk insurance matters. Please telegraph your acceptance or name of representative who will represent you.

The object of the meeting so called was to formulate a definite plan for the transaction of War Risk matters by the various American Legion posts and State War Risk officers throughout the country as well as by the national headquarters. This message was enthusiastically received. The conference was held at the Bureau of War Risk Insurance in Washington on December 15, 16, and 17, 1919.

During this conference every important phase of the activities of the bureau was afforded full and thorough discussion by the representatives of the American Legion, to which the officials of the bureau gave their full and complete support. The members of the conference made a tour of inspection of the offices of the bureau in order to obtain a concrete idea of how various complications arise in cases of allotment and allowance, insurance, or compensation, and how medical and legal problems were handled and the prescribed action taken in each case during the process of adjustment.

Since the national commander and the State officers of the American Legion were interested not only in bureau matters but also in all problems affecting the ex-service man or woman and their dependent relatives, an invitation was extended to the Chief of the Rehabilitation Division of the Federal Board for Vocational Education and to the Surgeon General of the United States Public Health Service to address the conference. The invitations extended to these officials were accepted, and their contact with the conference proved to be most helpful in every respect.

In order to obtain the most beneficial results conferences of a similar character were held by the various State commanders in the respective States represented. These conferences were attended by the War Risk officer in each State, as well as by representatives of the Bureau of War Risk Insurance, the United States Public Health Service, and the rehabilitation division of the Federal Board for Vocational Education, who explained the advantages offered by these several services of the Government, and urged the continued cooperation of all ex-service men and women.

All through these conferences the Government's message was constantly and vigorously impressed on the minds of those present; that Congress had made possible the organization of a Bureau of War Risk Insurance; that this bureau was created primarily for the benefit of the men and women in the service and was therefore their bureau; that the sole desire of the bureau's officials was to manage its affairs in a way that would render the most efficient and effective service to all the veterans of the World War and their families.

It has been the guiding aim of the bureau during the fiscal year covered by this report to utilize to the fullest extent the cooperation and the service which can be rendered by volunteer organizations. Its policy has been one of no secrets, of hiding no errors. There has been no inclination to deny weakness, but on the contrary, a desire to discover and eliminate errors and weaknesses. A systematic effort has been made to obtain expert advice and constructive criticism so that through the intelligent and enthusiastic efforts of every individual connected with it, this service man's organization should reach the highest possible degree of usefulness and efficiency.

Part III

ORGANIZATION.

When the present Director assumed control of the affairs of the bureau, he divided the work into several major administrative divisions, placing in charge of each separate division an assistant director or a chief, who was held directly responsible for the work in that particular division. A bureau consulting actuary, the assistant directors, and the chiefs constitute the executive staff of the Director, and are as follows:

Marine and Seamen's.....	Division chief in charge.
Allotment and Allowance.....	Division chief in charge.
Insurance.....	Assistant director in charge.
Compensation and Insurance	
Claims.....	Assistant director in charge.
Medical.....	Chief medical adviser in charge.
Legal.....	General counsel in charge.
Finance and Administrative.....	Assistant director in charge.
Liaison.....	Assistant director in charge.
School Teachers' Retirement.....	Division chief in charge.
Personnel.....	Assistant director in charge.
Trading with the Enemy.....	Under supervision of general counsel of the bureau.

To administer these important offices the Director was able to secure the services of highly competent men, the majority of whom had only recently been discharged from active service with the American Expeditionary Forces. Through the courtesy of the Secretary of War, a colonel was detailed for duty as Assistant Director in charge of Personnel; and through the courtesy of the Secretary of the Navy a captain was detailed as Assistant Director in charge of the Insurance Division. Both of these officers were selected because of their proven ability as organizers and administrators, and both had served with distinction in active duty overseas during the World War.

Since the entire activities of the bureau dealt with service and ex-service men and women as well as their dependent relatives, it was early evident that, so far as consistent with efficiency, the officers and personnel of the bureau should be service and ex-service men and women in order that the needs of the beneficiaries might be more fully appreciated.

The immediate problem at hand was to obtain the greatest efficiency with a minimum number of personnel. This policy was adopted also in order to house as much of the organization in the new War Risk Building at Vermont Avenue and H Street as possible, thereby eliminating the handicap of having the work of the bureau scattered in 17 buildings. This problem required a careful study of the flow of work through the various divisions of the bureau and a consideration of the activities of one division in its relation to the

other, with a view to eliminating duplication of work. Many of the operations of the bureau were being performed by hand, whereas the achievement of maximum business efficiency required in many instances labor-saving devices. As an example of saving in this particular instance, Congress was asked to and did appropriate \$161,536 for the purpose of installing additional addressograph equipment, in order that the millions of insurance notices and receipts and certain other form communications might be completed mechanically rather than by individual typewriting, as had been done previously. With the installation of the labor-saving device known as the addressograph machine it was possible to reduce the personnel of the bureau by several hundred and at the same time to materially improve the character of the service rendered. To have accomplished the task without the aid of these devices would have been humanly impossible. Several other important labor-saving devices were installed, in some instances requiring original invention or a combination of different inventions, as the addressograph and signograph. With the aid of the latter device one person can sign 50,000 checks per day with a single machine, whereas it was formerly necessary to sign the checks in sheet form before the names of the payees were filled in, a process which required the most rigid protection. With the signograph machine, which was specially constructed for the bureau, the checks are signed after they have been otherwise completed in every respect and are made ready for mailing also by a mechanical process. There is being installed in the bureau at the present time a mechanical traveling-belt conveyor, for the purpose of carrying papers from one part of a division to another, dropping the papers on the desk of the employee whose attention they next require. The cooperation of several experts associated with large commercial organizations, mail-order houses, and insurance companies has been enlisted in perfecting the organization and the method of handling the tremendous volume of business, involving many millions of separate transactions.

By the end of the fiscal year, June 30, 1920, the personnel of the bureau had been reduced from a maximum of 15,200 in August to 7,862, and its entire work was practically on a current basis.

There are two particular suggestions regarding legislation which, if enacted, would be of invaluable assistance to the bureau. The work of the Bureau of War Risk Insurance is centralized in Washington, and all business with the bureau must be conducted through its central office. Recommendation has been made for the establishment of 14 regional and other branch offices. There has been found no method of contact so effective as that which can be obtained through a closer and more personal relationship. This can not satisfactorily be obtained by directing long-distance communications from Washington. Other governmental institutions, including those dealing with service and ex-service men, have resorted to this method of giving effect to the purpose of the statutes under which they are operating, and the same procedure is clearly warranted in the case of the Bureau of War Risk Insurance, which in all probability is the largest bureau of the Government, and whose possible clientele are numerous and scattered throughout the country. Many of the cases are so complex and require such detailed and involved proof as

to make obvious the necessity of a closer personal contact which could only be efficiently acquired through the instrumentality of branch or regional offices established throughout the United States. It may be here cited that there were sent from the bureau millions of communications of various kinds during the past fiscal year, many of which would have better accomplished their purposes if the person concerned were able to call or telephone personally.

The other suggestion obtains to the matter of advertising. If the Bureau of War Risk Insurance were allowed a reasonable expenditure for advertising, facts could be made public within a comparatively few days after the passage of any bill or the promulgation of any new regulations of general interest, and people throughout every community would then have a common knowledge which affects directly or indirectly such a large proportion of the population. Authorization for an expenditure of this character would avoid also the necessity of calling upon the Government Printing Office to print literally millions of folders, circulars, and forms. Under such circumstances the bureau would use the paper supply of the various domestic and foreign-tongue publications and other periodicals, and would receive a distribution as wide and extensive as their combined circulation, reaching up into the tens of millions. And not only would the ex-service man and woman be educated on this subject, but the entire community would become educated, thus enabling them to help and assist one another. At the present time the only means of reaching the more than four and a half million ex-service men and women, as well as their dependent relatives, is by written communications and circular material. The addresses of the persons to be so reached are most incomplete. This is clearly demonstrated by the fact that nearly 30 per cent of the circulars sent to ex-service men and women is returned to the bureau as "unclaimed." A clear obligation is imposed upon the Government to apprise every ex-service man or woman as to his or her rights under the legislation passed by Congress, especially since it is a service offered by a grateful Government to those of its men and women who served in the military or naval service during a great world conflict, many of whom suffered physical injury or disease.

Part IV.

MARINE AND SEAMEN'S DIVISION.

REPRESENTING THE LARGEST MARINE AND SEAMEN'S INSURANCE BUSINESS
THE WORLD HAS EVER KNOWN.

An act of Congress, approved September 2, 1914, authorized the establishment of a Bureau of War Risk Insurance and provided for the insurance, through the bureau, of American vessels, their freight, and passage moneys and cargoes against war risks. While the United States was not then at war, it was apparent that America's merchant marine must be safeguarded against war hazards.

By the passage of this act of September 2, 1914, Congress also appropriated the sum of \$5,000,000 from which to pay losses. After the United States entered the war on April 6, 1917, Congress on June 12, 1917, amended the original war risk insurance act so as to provide for the insuring of the personal effects of masters, officers, and crews, and also for the insuring of masters, officers, and crews of the American merchant vessels against loss of life or personal injury by risks of war and for compensation to them during detention following capture by enemies of the United States. This amendment to the act made it mandatory upon the owners of vessels to insure the personnel of their ships in a manner satisfactory to the Secretary of the Treasury. The appropriation of \$5,000,000 originally made available was increased to \$50,000,000.

In the further amendatory act of October 6, 1917, creating a Division of Military and Naval Insurance, there was created also a Division of Marine and Seamen's Insurance to take care of the original activities of the bureau, and this latter division has continued thereafter to care for the various duties for which it was originally held responsible. The efficiency with which this division has carried out its duties may be properly estimated by the fact that it has not been required to use a single cent of its appropriation of \$50,000,000, and has actually paid all losses and expenses from the premium receipts. In fact, over and above all losses, salaries, and expenses, this division has shown a profit up to and including June 30, 1920, of approximately \$17,500,000. This profit, together with the sum of \$50,000,000 appropriated to meet possible losses, makes a total surplus of about \$67,500,000.

In July, 1918, the act was further amended to provide insurance on vessels sailing under friendly foreign flags, on the freight and passage money and personal effects of masters, officers, and crews where the vessels had been chartered by the United States Shipping Board or its agents, or had been chartered by any person a citizen of the United States and whenever it should be required by the chartered party to provide war-risk insurance. In addition, the cargoes to be shipped in vessels which were not chartered might also be insured.

The bureau, if necessary, could also insure masters, officers, or crews on vessels of friendly foreign flags against loss of life and personal injury and might provide compensation in case of detention following capture by enemies of the United States.

Following the signing of the armistice on November 11, 1918, the Secretary of the Treasury, under date of January 4, 1919, withdrew the rates for insurance, following which date no new insurance was accepted. However, certain policies which had been applied for previous to January 4, 1919, were completed after that date, being 30 in number, including both marine and seamen.

The following is a summary of the transactions of the Marine and Seamen's Division during the present fiscal year, together with a record of the total volume of business handled by this division from its inception to the close of the present fiscal year.

Marine section—Insurance on hulls, cargoes, freight, and personal effects.

	Policies issued.	Net insurance written.	Net premiums received.	Salvage received.	Losses paid.
July 1, 1919, to June 30, 1920.....	¹ 12	\$179,877	² —\$5,200.37	\$3,906.29	\$414,092.46
Sept. 2, 1914, to June 30, 1919.....	27,215	2,067,112,116	46,746,709.33	59,828.59	28,556,873.19
Sept. 2, 1914, to June 30, 1920 (total).....	27,227	2,067,291,993	46,741,508.96	63,734.88	28,970,965.64

¹ Applications for this insurance were received prior to Jan. 4, 1919.

² Premiums refunded (due to adjustment of policies) were greater than premiums received, hence the minus quantity.

Seamen's section—Insurance against loss of life, injury, and detention.

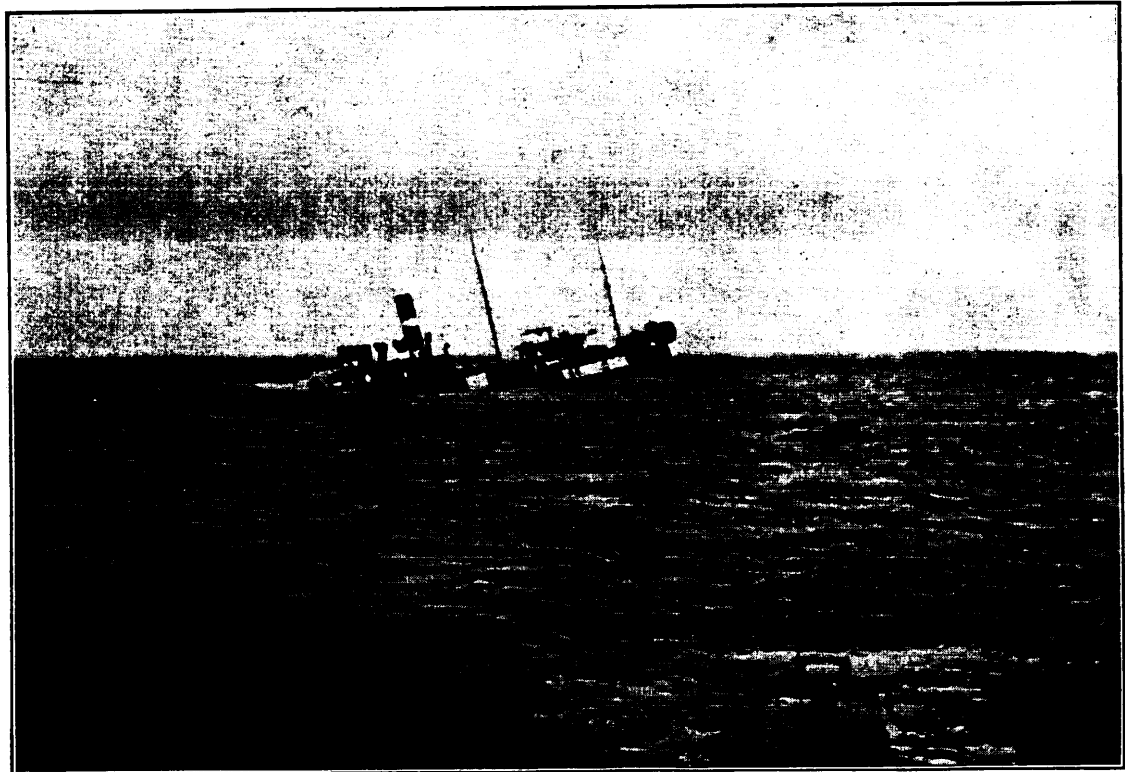
	Policies issued.	Net insurance written.	Net premiums received.	Losses paid.
July 1, 1919, to June 30, 1920.....	¹ 18	\$352,983.28	\$1,215.32	\$86,431.78
June 12, 1917, to June 30, 1919.....	6,150	322,429,408.54	842,348.17	124,724.78
June 12, 1917, to June 30, 1920 (total).....	6,168	322,782,391.82	843,563.49	211,156.56

¹ Applications for this insurance were received prior to Jan. 4, 1919.

Claims arising under this form of insurance have been or are being paid to different nationalities as follows: American, 51; Belgian, 1; Brazilian, 1; British, 10; British West Indian, 4; Canadian, 1; Chilean, 5; Danish, 4; Dutch, 1; Dutch West Indian, 8; East Indian, 1; Finnish, 3; Greek, 7; Irish, 1; Italian, 2; Jamaican, 1; Japanese, 15; Mexican, 1; Norwegian, 7; Panaman, 1; Peruvian, 2; Portuguese, 7; Roumanian, 1; Russian, 5; Russian (naturalized), 1; Spanish, 18; Swedish, 9; Welsh, 1; unknown, 1.

Claims in both sections of the marine and seamen's division have been or are being paid as the result of the total loss of 55 vessels; damage of 11; and detention, seizure, or restraint of 5.

Possessing peculiar historical value is a cut of the S. S. *Illinois*, which was sunk by a German submarine on March 18, 1917, just a short time preceding the entry of the United States into the war. This photograph was taken from the German submarine responsible for the loss. The German submarine is shown in the foreground of the cut.



SINKING OF S. S. ILLINOIS.

15473—20. (To face page 24.)

Part V.

ALLOTMENT AND ALLOWANCE DIVISION.

(The operations of this division being comparable to one of the largest financial undertakings the country has known, involved the expenditure to June 30, 1920, of \$575,721,187.27.)

Under Article II of the war risk insurance act as amended October 6, 1917, a provision was made for the making of an allotment from the pay of the enlisted personnel of the Military and Naval Establishments and the paying of a family allowance by the United States to relatives within certain permitted classes as follows:

Allotments (compulsory) to class A, which includes a wife, a former wife divorced who has not remarried and to whom alimony has been decreed, and a child or children;

Allotments (voluntary) to class B, which includes father, mother, brother, sister, and grandchild or grandchildren.

The monthly compulsory allotment to members of class A is \$15. If an enlisted man is making a compulsory allotment for class A and also desires to obtain the family allowance for a member or members of class B, the additional monthly allotment for class B is \$5. If no compulsory allotment is made, the monthly voluntary allotment necessary to be made to class B in order to obtain the family allowance is \$15. The family allowance, including both class A and class B, can not exceed \$50 per month. The family allowance to which members of class A are entitled must first be awarded. If the entire \$50 is required to pay the class A allowances, no payment can be made to class B. In many cases the portion of the \$50 remaining after the class A allowances have been awarded permits the payment of only partial allowances to class B.

Family allowance can be paid to members of class B only if and while such members are dependent either in whole or in part on the enlisted man, and then only if and while the enlisted man makes the necessary monthly allotment of his pay, in the amount above indicated, for such members. To carry out the provisions of the above Congress appropriated \$141,000,000.

DIFFICULT PROBLEMS WHICH CONFRONTED THIS DIVISION UPON ITS ORGANIZATION.

Immediately upon the passage of the war risk insurance act on October 6, 1917, it was necessary for the Treasury Department, through the Bureau of War Risk Insurance, to print such forms, application blanks, and establish such rules and regulations as were necessary in the administration of the allotment and allowance fea-

ture of the act. And to give some idea of the magnitude of the problem and rapidity with which the bureau had to be organized, it is interesting to note that on December 31, 1917, 85 days after the passage of the act of October 6, 1917, 602,456 applications had been received at the bureau in Washington, and 70,000 were being received weekly.

Worthy of special mention is the commendable work of the American Red Cross, through its national headquarters in Washington, D. C., and through its local chapters scattered throughout the United States, in rendering assistance to the bureau in the solving of many problems incident to the initial work of the Allotment and Allowance Division.

The act providing for the payment of allotments and allowances was passed October 6, 1917, and became effective November 1, 1917. There was, therefore, but three weeks for preparation. The beneficiaries under the act in most cases were dependent upon the enlisted man for their daily bread. It was therefore evident that in order to carry out the purposes of the act the payments of allotments and family allowances must be made promptly.

The act opened up an entirely new field. There were no precedents upon which to found procedure, and there was no source from which a trained clerical force might be obtained. It was necessary to hastily gather together a very considerable force without tests as to qualifications and train them for the work.

The first and most important question to be determined was: *What proof shall be required to establish title of allottees?* It was apparent that if the ordinary forms of evidence were required to establish marriages, dates of birth, relationship, dependency of allottees, etc., the delay would be interminable and the expense to allottees considerable. In order to carry into immediate effect the purposes of this legislation it was necessary to adopt some less difficult and less expensive, though effective, methods of furnishing sufficient proof. To accomplish this end, a form of allotment application was devised, which was technically called Form 1-B. This form was designed to contain all necessary information essential in each particular case. It was to be filled out from information furnished by the enlisted man, and his signature thereto was required, together with the signature of his commanding officer as attesting witness. The form thus executed has, under the provisions of the act, all the solemnity of an affidavit. This form, properly executed and containing all essential information, was to be held to be sufficient upon which to make an award to allottees named therein of both allotment and Government family allowance. This method enabled the bureau to make prompt payments in every case where such form was furnished by the department in which the man was rendering service. Millions of Form 1-B were printed and distributed for use in the War and Navy Departments. In November, 1917, 602,456 executed Form 1-B had been received. Of this number 330,443 were what is known as "Nones" (enlisted man reported no dependent relatives); 272,013 carried allotments. All applications received were numbered and filed. On such as carried allotments awards were made and the necessary steps taken to accomplish payment.

Many difficulties were encountered in the beginning relative to the making of awards. Many questions arose about which there was uncertainty and dispute. The provisions of the act were found to be far more complicated than appeared upon casual reading; for example, the act as passed provided that the allotment must equal the family allowance to be granted but should not be more than one-half the pay of the enlisted man. An enlisted man whose pay was \$33 made an allotment of \$15 to his father and mother and claimed the family allowance (for two parents, \$20). His allotment should have been \$16.50 per month. Not having made the proper allotment, was any allowance payable? This question was finally determined by a regulation which provided that an allowance equal to the allotment could be paid. Many other questions equally difficult arose and were disposed of in the same manner.

Under an amendment to the act effective July 1, 1918, the allotment was reduced to \$15 per month. This amendment removed many difficulties and complications which existed prior thereto.

The problem of training the large clerical force to correctly make awards and properly prepare award cards for payment was one quite difficult to overcome. Form 1-B reached the bureau at the rate of about 10,000 per day from December 1, 1917, to December 31, 1918. The task of handling and making awards upon this great number of applications was stupendous. On December 31, 1917, award applications had been received to the number of 272,013, and awards made to that date amounted to 234,850. On January 31, 1918, 411,418 applications had been received and 402,458 awards made. On February 28, 1918, the applications totaled 557,726 and the awards 537,527. On March 31, 1918, the total applications were 660,301 and awards 625,000. On April 30, 1918, the total applications were 744,211 and the awards 748,000. Thereafter the awards were always considerably more than the number of applications received. From these figures it will be seen that so far as properly executed Form 1-B was concerned awards were practically current from the beginning.

For the first few months in the history of the Allotment and Allowance Division but few complaint letters were received by the bureau. In about 5 per cent of the applications received the enlisted men claimed exemption from the compulsory allotment to class A relatives. Somewhere near 6 or 7 per cent of the applications received were found to be defective in some particular. Some were unsigned. The post-office addresses of allottees were either given incorrectly or not at all. Minor children were named, but the name of a guardian or custodian to whom payment might be made was not furnished. There were many other defective causes.

In cases where exemption was claimed it was necessary to give the wife a chance to be heard and duly consider both sides before entering a finding. There was, therefore, much unavoidable delay and consequently complaint in these cases. Also in the case of an incomplete Form 1-B an award could not be made until the difficulty had been remedied. This often required considerable time. For instance, if the addresses of the allottees were not given, it was necessary to call upon the enlisted man for this information, as there was no other known source from which it could be obtained. Some properly executed Forms 1-B never reached the bureau at all.

In a great many cases class B relatives, especially the mother, made bitter complaint of nonreceipt of an allotment from a son, when, in fact, no allotment had been made for her benefit. Delay in many cases was due to a change in the allottee's address. Many allottees moved frequently without either advising the bureau or the postmaster of the new address. In such cases the check would be returned to the bureau marked: "Removed. Address unknown." In such case the check was placed in the returned check files, as no action could be taken until the new address had been furnished. A great deal of the delay complained of was due to this cause. Another very prolific cause was that incoming letters complaining of failure to receive payments did not contain sufficient information to identify the case. Often only the first name of the soldier would be given. In such cases it was necessary to write for further data.

THE CORRESPONDENCE PROBLEM.

The first few months of the existence of the bureau the correspondence problem of the Allotment and Allowance Division presented relatively few difficulties. In June, 1918, the War Department raised the question as to whether or not class B allotments which carried no family allowance should not properly be paid by that department. By virtue of regulations adopted by the War Department it became incumbent upon the War Risk Bureau to automatically discontinue on June 30, 1918, the payment of all class B allotments which did not carry family allowances. With a view to providing for the future payment of such allotments, the War Department issued telegraphic and cable instructions to all commanding officers during the latter part of June, 1918, that the enlisted man, if he desired to continue allotments of this character, must execute the proper form for payment through the Office of the Quartermaster General. Because of this procedure the bureau automatically discontinued June 30, 1918, the payment of approximately 250,000 class B allotments. As the allottees failed to understand the reason for the cessation of payments inquiries were mailed to the bureau in practically all these cases. This was the beginning of the correspondence problem in earnest. A sufficient force could not have been trained to handle this great volume of correspondence that arose almost overnight. There were other difficulties. Many of the incoming letters did not sufficiently identify the cases to which they related. The very fact that correspondence was not promptly answered called forth great numbers of letters that should never have been necessary. The bureau called in many experts to deal with this most difficult problem, but it required a very considerable time before adequate headway was made.

Before improvement had been effected in the correspondence situation, the great burdens incident to demobilization began. Discharge notices reached the bureau daily by thousands. It was necessary to discontinue payments on awards in all such cases and it was necessary to give preference to that work. This rush continued for several months.

In the bureau's efforts to cope with these tremendous tasks it was impossible to prevent overpayments of awards in numerous cases.

The official discharge notices in many cases were delayed from two to four or five months. As awards were paid monthly, overpayments in such cases were unavoidable. The bureau could not properly discontinue an existing award until information had been received which warranted such action. It was also impossible to prevent some duplication of payments. After an award had once been made, and a Form 1-B in that same case was thereafter received, it was difficult to connect the two if there was any change whatever in the spelling of the soldier's name. In some cases of the more common names the number of names exactly identical mounts up into the thousands, and in many of those cases the allottees also have the same name, and in a few cases the same address. It was the vastness of the file that created these difficulties. Some overpayments were found to be unavoidable from this cause. The allottee furnished a change of address, giving the name of the enlisted man and her own name and address. A clerk searched the files and having (as was thought) identified the case, made the change of address on the award card. In some cases it occurred that the correction had not been made for the correct file and, of course, thereafter the checks in that case went to another allottee of the same name, who thereafter received two checks. In some cases both checks were cashed and used.

A careful check up has recently been completed for the purpose of ascertaining the total overpayments made. The following table sets forth the information thus obtained:

Reasons for overpayments.	Number of cases.	Amount.
Delay in receipt of official notice of discharge, death, furlough, desertion, or commission of the enlisted man.....	184,462	\$8,106,968.09
Delay in receipt of official notice of a change or cancellation of allotment by the enlisted man.....	6,992	400,106.00
Delay in receipt of information of death, divorce, marriage, or other causes.....	1,544	114,019.75
Duplicate payments.....	3,525	724,363.29
Fraud, allottee named by the enlisted man not in permitted class.....	1,726	312,648.92
Payments through error to wrong allottee.....	606	60,054.11
Payments made to the allottee, guardian, or custodian based on information contained on Form 1-B, or other reasonable evidence where recovery must be made and payment made to the rightful allottee.....	484	78,574.38
Total.....	199,339	9,796,734.54

In all cases of overpayments of whatever character the person overpaid has been called upon to refund the amount of overpayment. In many cases compliance with this request is being made, either in whole or in small periodical payments. From the foregoing table it will be noted that over 90 per cent of the cases of overpayment were due to delay in the receipt of official notice of the man's discharge, death, furlough, etc., which delay in most cases was apparently unavoidable.

\$5,427,797.04 IN CASH REFUNDS RECEIVED TO JUNE 30, 1920.

In addition to the checks returned to the bureau, cash refunds amounted to \$5,427,797.04 to June 30, 1920. The amount credited to allotments was \$3,424,028.49 and \$2,003,768.55 to allowances. Practically all of this refund was received in response to requests of

the bureau for the return of overpayments of allotments and allowances made to allottees. It is interesting to compare these figures with those set forth in table above cited, giving amount of overpayments.

CASH REFUNDS TOTAL \$3,002,531.03 FOR YEAR.

During the fiscal year ending June 30, 1920, \$3,002,531.03 was paid in cash refunds to the bureau. Of this amount \$975,778.62 was credited to allowances and \$2,026,752.41 to allotments.

INVESTIGATIONS.

It became immediately apparent that some safeguards should be taken to be certain that dependency that had been claimed was in fact a valid claim against the Government. Investigations were immediately begun. The organization of a force for investigations was started about the middle of the year 1918. This force was originally organized for the express purpose of investigating the dependency of class B allottees, but, of course, it was intended to include any other investigation necessary. Investigation of every class B allottee was contemplated, and to June 30, 1920, investigation was made in 590,216 cases. As a result of investigations made during the last four or five months of 1918, and January and February, 1919, the family allowance was discontinued or refused in approximately 70 per cent of the cases investigated. In February, 1919, a regulation was promulgated which liberally defined dependency, and the allowances were restored in perhaps 60 to 70 per cent of the cases in which it had been withdrawn. Since then particular attention has been given to the dependency phase of class B cases, with the view to granting of allowance where title exists under a reasonable interpretation of the terms of the war risk insurance act.

1,666,607 ASKED ALLOTMENTS AND ALLOTMENTS AND ALLOWANCES.

Requests for allotments and allowances from October 6, 1917, to June 30, 1920, numbered 1,666,607. There were, in addition, 2,807,093 application blanks returned on which no allotments or allowances were requested. In cases containing requests for family allowances it was necessary to make and pay an award. In explanation of the 2,807,093 blanks, which requested no allotments and required no awards, it was necessary to number and file them for future reference. All application blanks were filed numerically, and an index card for each was prepared, carrying complete data in the particular case, and such cards were filed alphabetically. The work incident to no application for allotment was almost as great as in cases of those entitled to benefits.

APPLICATIONS RECEIVED DURING FISCAL YEAR COVERED BY THIS REPORT NUMBER 17,633.

The total number of award applications received during the fiscal year ending June 30, 1920, was 17,633. These applications were received from three principal sources: (1) Reenlisted men; (2) men

in service who developed dependents; (3) War and Navy Departments, where applications had been delayed.

Due to many reawards, it is impossible to give other than the gross number of awards made during the year.

The following table shows, monthly, the number of applications received and the awards made for the year ending June 30, 1920. The small number of applications received during the past fiscal year is due to the demobilization of both the military and naval forces. New applications were received only in case of new enlistment, reenlistment, or because of some change in the application of a man in the service. Many reawards were made during the year. By reward is meant some change of an existing award. The changes usually consisted in an extension of the period covered by the award or by the granting of allowance or additional allowance. From the beginning a record, or count, has been kept only of the original award made in the case.

NUMBER OF ALLOTMENT AND ALLOWANCE APPLICATIONS RECEIVED VERSUS AWARDS MADE MONTHLY FROM JULY, 1919, TO JUNE, 1920, INCLUSIVE.

Comment.—The difference between the number of applications received and the number of awards made, as shown in the table below, is explained by the fact that awards were also made and allowances paid on allotments that had been paid through the Office of the Quartermaster General, United States Army, in cases where the allowance was claimed during the service of the enlisted man. In a few cases also awards were made upon application made by a wife or a child. More than one award was also made on an allotment application in cases where either class A or class B relatives had different domiciles, and where both class A and class B allowances were paid on the same application.

Number of allotment and allowance applications received versus awards made, monthly, from July, 1919, to June, 1920, inclusive.

Date.	Applications received.	Awards made.
1919.		
July.....	493	4,346
August.....	759	2,353
September.....	461	3,863
October.....	472	2,198
November.....	745	2,363
December.....	496	2,461
1920.		
January.....	6,999	2,433
February.....	1,346	2,362
March.....	1,188	1,405
April.....	1,847	3,975
May.....	1,440	4,204
June.....	1,387	3,024
Total for fiscal year.....	17,633	34,987
Total to date.....	1,666,607	2,090,893

587,193 AWARDS CLOSED DURING YEAR ENDED JUNE 30, 1920.

The number of allotment and allowance awards closed during the fiscal year was 587,193. The total number closed to June 30, 1920, was 1,994,946. Due to the reopening during the year of many previously closed awards, the figures here given are approximate.

Comment.—In perhaps more than 90 per cent of the cases closed the reason for the discontinuance was the discharge from service of the enlisted man. Other reasons for discontinuance were death of the enlisted man, or his being commissioned; death, divorce, remarriage, or arriving at the age of 18 years of allottees.

95,947 AWARDS OF ALLOTMENTS AND ALLOWANCES OUTSTANDING ON JUNE 30, 1920.

Out of 2,090,893 awards made to June 30, 1920, 1,994,946 had been closed, leaving 95,947 outstanding. The cards held in suspension because of the death of allottee await information showing to whom payment can be made of the amount due allottee at the date of death. The cards suspended under the heading of "Discharge units" await information showing the date of the discharge of the enlisted man in order to make the final payment. The cards held under the heading of "Suspension" include all cards suspended for any reason except those in the two preceding items. In most of these cases some information has been filed which raises a question as to the right of the allottee to allowance. In many cases, however, a check has been returned by the postmaster showing allottee removed, address unknown, and further payments await the new address. The following table shows the general reasons why awards have not been closed, as indicated by the nature of the files in which they are held:

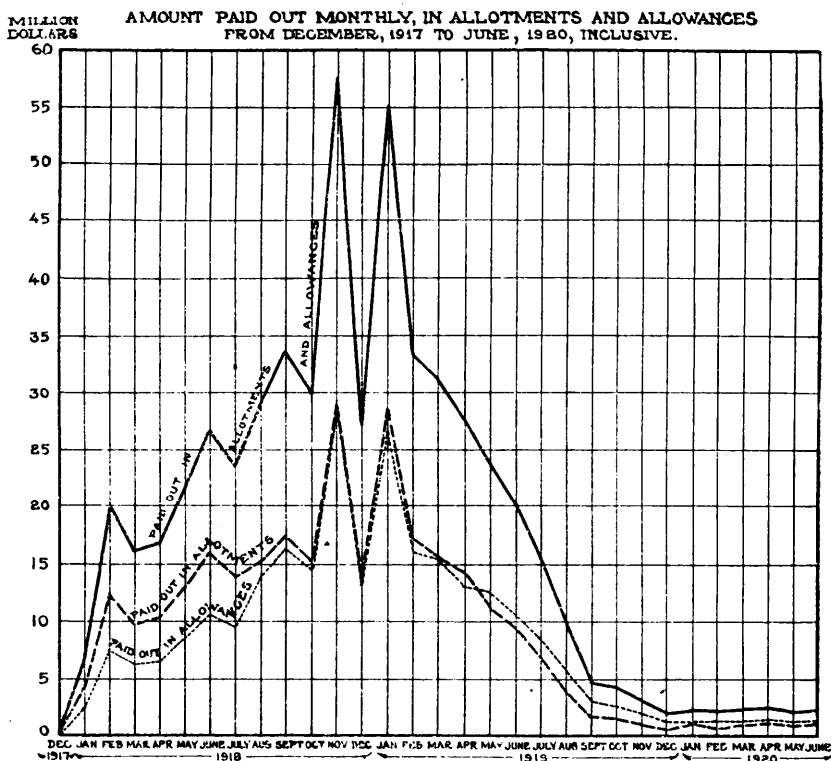
Number of active award cards in each file, allotment and allowance division, showing whether payment was being made or suspended, on June 30, 1920.

Name of file.	Number of awards.	
	Payments suspended.	Payments current.
Death of allottee.....	16, 137	.....
Discharge units.....	2, 307	.....
Suspense.....	16, 760	.....
Current payment.....		60, 743
Total.....		60, 743
Grand total.....	95, 947	

ALLOTMENT AND ALLOWANCE DISBURSEMENTS FOR YEAR TOTAL \$53,568,637.08.

In the fiscal year ending June 30, 1920, \$53,568,637.08 was paid out in allotments and allowances; \$20,748,709.14 was paid out in allotments and \$32,819,927.94 in allowances.

The chart given below shows how allotment and allowance payments increased monthly until November, 1918, and the subsequent decrease:



1,034,157 CHECKS RETURNED TO JUNE 30, 1920.

Another great problem was in the handling of checks returned to the bureau. Returned allotment and allowance checks numbered 1,034,157 on June 30, 1920; 4,293 were returned in June. The reason for the return of checks was usually the change of address of the allottee. In some cases they were returned because of the death of the allottee, or voluntarily by allottees who were uncertain as to whether or not they had a right to receive the check.

The disposition made of returned allotment and allowance checks from July 1, 1919, to June 30, 1920, is shown in the following table:

Number of allotment and allowance checks returned and the number disposed of monthly from July, 1919, to June, 1920, inclusive.

Date.	Checks returned.	Checks disposed of.	
		Remailed.	Canceled.
1919.			
July.....	108,523	23,793	41,780
August.....	50,215	9,594	64,520
September.....	32,067	11,368	49,388
October.....	28,124	9,161	29,229
November.....	11,641	6,825	19,089
December.....	11,621	6,923	22,356
1920.			
January.....	19,350	5,720	24,823
February.....	7,191	5,829	15,313
March.....	6,330	4,080	21,909
April.....	5,420	1,945	9,297
May.....	2,260	615	5,868
June.....	4,293	1,283	12,254
Total for fiscal year.....	287,035	87,136	315,835
Total to date.....	1,034,157	472,662	515,699
Balance on hand June 30, 1920.....	43,920		

¹ Adjusted.

NUMBER OF ALLOTMENT AND ALLOWANCE CHECKS RETURNED, AND THE NUMBER DISPOSED OF MONTHLY FROM JULY, 1919, TO JUNE, 1920, INCLUSIVE.

A section was organized expressly for the purpose of handling returned checks. As soon as information was obtained which warranted the remailing of the check that was done, and when information was obtained which showed that the check should not be remailed it was canceled.

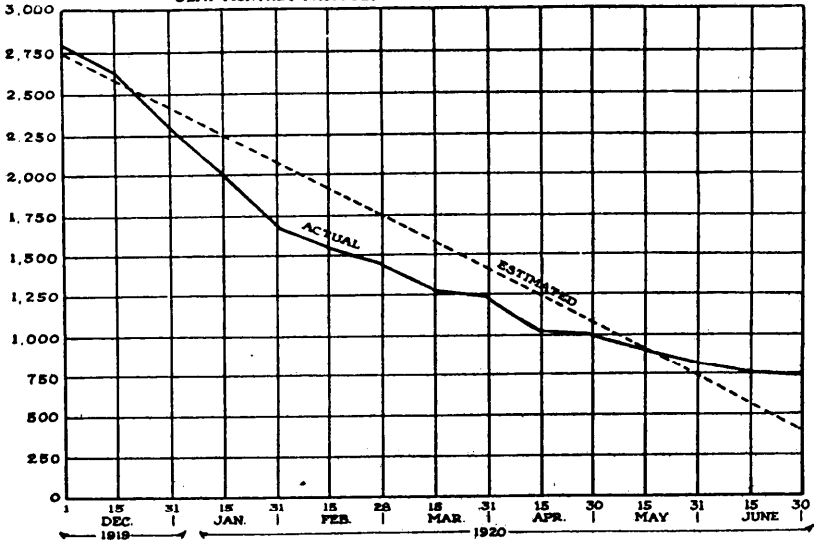
UNANSWERED LETTERS TOTALED 27,336 ON JUNE 30, 1920.

The number of unanswered letters in the Allotment and Allowance Division was 27,336 on June 30, 1920, as compared with 56,960 on June 30, 1919.

EMPLOYEES NUMBER 747 ON JUNE 30, 1920.

The total number of employees in the Allotment and Allowance Division on June 30, 1920, was 747. On June 30, 1919, employees numbered 2,655.

NUMBER ACTUALLY EMPLOYED AND MAXIMUM NUMBER REQUIRED ACCORDING TO ESTIMATE
SEMI-MONTHLY FROM DECEMBER 1, 1919 TO JUNE 30, 1920



Part VI.

INSURANCE DIVISION.

(The operations of this division represent the greatest insurance undertaking ever known, as there has been issued approximately \$40,284,892,500 in insurance and having received \$298,864,307.07 in premiums from all sources.)

In the drafting of the war risk insurance act the allotment and allowance provisions were inserted to care for the dependents of the enlisted person while he was in the service, and the compensation provisions were incorporated, as previously explained, to care for the injured person and his dependents in case of disability incurred in the service and to provide for the dependents in the event of his death. It was deemed advisable and almost imperative that added protection should be afforded to those offering themselves for service in the Military and Naval Establishment by issuing a form of Government insurance to those who desired to apply for it, taking into consideration the fact that they had virtually lost their insurability in commercial companies by entering military service. Of course, these men could still buy insurance from private commercial companies, but the rates which these companies were obliged to charge because of the hazards of war were in a large degree prohibitive. Some companies did not issue policies of insurance which included protection of this war hazard. It was felt that it was utterly wrong for the Government to throw that burden upon the men in the service, and that it could well replace the loss suffered by selling insurance to the enlisted men at virtually the same rate which they, as civilians, could have received from private insurance companies less the cost of administration. It was urged that the Government pay the extra premium to the private insurance companies. Many of these companies were entirely willing that this extra premium be set aside as a fund with the understanding that if anything was saved the unexpended balance would be returned, but that if it were exhausted the difference would be made up by the Government. But this plan was rejected, among other reasons, on the ground that the Government would then be lending its indorsement indiscriminately to every insurance company or fraternal organization selected by the enlisted man, something it hesitated to do without a thorough complete investigation into the affairs of all the companies involved, and then it was a problem as to how to distribute the insurance to private companies where the man exercised no preference as to company.

No good reason was apparent against the United States itself directly insuring the enlisted men, and in fact there were many good reasons in favor of such a proposition. These men were a limited class, and but for the war would have been the best class of insur-

ance risk that could have been found in the world. Furthermore, if the United States Government went into the insurance business it would not have the number of items of expense that the private insurance carriers have. There would be no commissions to agents, which is a large item of expense, in view of the fact that such agents were not needed to sell insurance at less than peace rates; and it was felt certain that virtually every man in the service would avail himself of this opportunity to the utmost extent of his financial ability. Then, too, the Government pays no taxes. It incurred no medical examination fees for medical inspection and supervision, inasmuch as the vast majority of the men in the service and those coming into the service were forced to undergo a rigid medical examination under the direction of the War Department or Navy Department before being accepted. It was furthermore seen that the Government needed no advertising and sought no investments, thus doing away with the necessity of employing high-priced and high-salaried men to conduct its business.

The only expense which remained for the Government to incur was that of the actual administration of its insurance business; and it was felt that the cost of such administration should be charged as a general governmental war expense.

With these considerations Article IV was incorporated in the war-risk insurance act, offering insurance to persons in the service not merely at peace-time rates but at peace-time rates less the loading which private insurance companies had for expenses and emergencies, which often ran from 20 to 35 per cent of the amount that otherwise would be charged.

Then came the question as to what kind of insurance the Government should sell. Should it sell every kind that private insurance companies were selling, or should it put war-risk insurance on a different basis? There were many reasons, depending upon the particular circumstances of the individual and his age, which would lead him to choose one form of insurance in preference to another. In determining the kind of insurance which should be available to these men, the Government had in mind only that insurance which was most desirable for them. And after thoroughly considering the matter it was felt that the best kind of insurance for a man called into an extremely hazardous occupation for a short period is the cheapest kind of insurance, providing that after the hazardous period is over he has the right to change it into some form best suited to his circumstances. Thus it was that the Government issued what was known as renewable term insurance, at a most nominal cost, with the understanding that the insured could convert his insurance, if he desired, to a permanent form at any time within five years after the termination of the war.

Article IV of the war risk insurance act of October 6, 1917, provided for the granting of insurance upon application of those in the active service in amounts not less than \$1,000 or more than \$10,000, in multiples of \$500, at monthly premium rates varying from 63 cents per thousand at the age of 15 to \$3.35 per thousand at the age of 65. This insurance was so attractive that almost every man and woman in the service made application for such insurance at the first opportunity. Under the appropriate heading has been discussed the manner in which this insurance was written through the agency of the

War and Navy Departments, respectively, and designated War Risk officers.

As previously stated, in order to relieve the enlisted man of seeing to it that his premiums were paid regularly and the details connected therewith (a most difficult task when on the battle front), the bureau issued a regulation which permitted the insured to authorize the United States to deduct the premium from the pay due him from the United States by reason of his service; and the following proviso contained therein thoroughly indicates the liberality of the policy followed:

Premiums shall be paid monthly on or before the last day of each calendar month, and will, unless the insured otherwise elects in writing, be deducted from any pay due him/her from the United States or deposit with the United States, and if so to be deducted a premium when due will be treated as paid, whether or not such deduction is in fact made, if upon the due date the United States owe him/her on account of pay or deposit an amount sufficient to provide the premium * * *.

The problems and difficulties which had to be faced by the Insurance Division of the bureau in properly recording, filing, and indexing all the applications for insurance, and the serious difficulties encountered intracing all the applications which were lost or misplaced in their transmission through military channels, would require too much space to be herewith recorded. Suffice to state, perhaps, that at the time the armistice was signed there were 4,152,787 insurance applications on file in the bureau.

As the casualties became more numerous the applications for the benefits of insurance increased proportionately, devolving upon the Insurance Division the task of locating among millions the insurance application of the particular individual on whose account claim was filed. Oftentimes it was necessary to communicate with the various military and naval organizations in order to have them ascertain by means of the insured's service records whether or not a particular person had ever applied for insurance.

It may be here stated that a most liberal policy was adopted with reference to issuing insurance where the evidence showed that the man had, in fact, made application, although the application could not be located. This was done by means of obtaining from the Auditor for the War Department a transcript of the deceased soldier's pay for the purpose of determining whether or not any checkage was made for insurance premiums.

Shortly after the armistice was signed, on November 11, 1918, the military forces were rapidly demobilized, and within a period of a few months approximately 75 per cent had again entered private life. It was immediately noted that a large number of these men made no effort to keep their insurance in force, undoubtedly due to their paramount desire to reestablish themselves in the industrial and economic world. A great many of them had little or no funds with which to pay the insurance premiums due. It therefore became apparent that the bureau should adopt most liberal rules and regulations as an incentive to these discharged men and women for the continuation of their insurance protection. Liberal regulations for reinstatement of lapsed insurance were promulgated, all with the thought of giving these persons an opportunity first to properly resume their civil status and to take up their work where they left it in order to serve their country.

Upon the passage of the act of December 24, 1919, the insurance provisions were materially broadened in scope and many new attractive features were added to revive the interest in war-risk insurance and to cure the defects which became apparent from time to time in its practical administration. The permitted class of beneficiaries was enlarged. Instead of being confined to the naming of a spouse, child, grandchild, parent, brother, or sister, the insured was enabled to designate as beneficiary a person who stood in loco parentis to him or the child of a person who stood in loco parentis to him. The permitted class was furthermore enlarged to include uncles, aunts, nephews, nieces, brothers-in-law, and sisters-in-law. All these features were made retroactive to October 6, 1917, with certain provisions for the protection of those who would be affected by the change in the law.

CONVERTED INSURANCE.

With the demobilization of the troops and their return to civil life came applications for the conversion of their term insurance into permanent forms. The bureau immediately drafted a policy and issued regulations consistent with the terms of the act, granting six different forms of permanent insurance, similar to those issued by private insurance companies, as follows: Ordinary life, 20-payment life, 30-payment life, 20-year endowment, 30-year endowment, and endowment at age 62.

In keeping with the basis upon which the insurance was originally issued, to wit, the loss of the enlisted man's insurability, the person could convert his insurance so long as it remained in force without medical examination.

Provisions were made for maturity at certain ages; for continuous installments during the life of the insured or beneficiary; for cash, loan, paid-up, and extended payments; dividends from gains and savings; and other attractive features for the protection and advantage of the insured and beneficiaries. Optional settlements were also provided for, to be selected by the insured, whereby the insurance could be paid either in a lump sum or in installments of 36 months or more. The beneficiary was further authorized to elect to receive payments of the insurance in installments for 36 months or more in the event that the insured had not exercised the right of election.

ORGANIZATION.

The importance of adopting the principle of carrying out its functions within a restricted area was recognized as the best solution of the problem before the Insurance Division. Therefore standard operating units were established as soon as a study of the work involved was completed.

Dictating machines, automatic typewriters, and other automatic office appliances were installed in order that progress might be made in developing maximum efficiency. At the close of the fiscal year covered by this report a belt-conveyer system was ordered installed to bring in closer contact subdivisions of a division which were closely related.

The passage of the act of December 24, 1919, necessitated the revision of a number of forms and considerable material and vastly increased the scope of the detail work of the division. It was neces-

sary to consolidate the American Expeditionary Force's applications with those applications originally filed with the bureau. In the beginning of the year the Insurance Division was housed in two separate buildings, and it was not until January 25, 1920, that the entire division was brought together in the War Risk Insurance Building. This was an important contribution to the efficiency of the division, and in spite of the increased work the personnel of the division was materially reduced, due to the improved organization and administration.

The following statistics are interesting in connection with the Government's initial venture in the business of life insurance:

SOLDIERS' AND SAILORS' CIVIL RELIEF.

Up to the end of the fiscal year ending June 30, 1920, applications representing commercial insurance in the total sum of \$17,729,776.14 were submitted by members of the armed forces of the United States, asking protection of payments of insurance premiums thereon to commercial companies, as provided in Article IV of the act approved March 8, 1918, entitled "An act to extend protection to the civil rights of members of the Military and Naval Establishments of the United States engaged in the present war," commonly known as the soldiers' and sailors' civil relief act. Of the total amount mentioned above, premium protection was approved on \$12,526,956.29, the remainder being rejected as ineligible. The bulk of this protection will automatically terminate during the autumn of 1920, as all insurance premiums protected under this law must be paid or closed out within one year after the discharge of the insured service man.

WAR RISK TERM INSURANCE.

93,877 TERM-INSURANCE APPLICATIONS RECEIVED DURING FISCAL YEAR.

The total number of applications for term insurance received during the fiscal year July 1, 1919, to June 30, 1920, was 93,877, amounting to \$623,245,000. The following table shows the number and amount of applications received each month during the year:

Number and amount of applications for term insurance received, by months, from July 1, 1919, to June 30, 1920, inclusive.

Date.	Applications received.	
	Number.	Amount.
1919.		
July.....	7,299	\$43,047,500
August.....	7,864	52,811,000
September.....	8,695	59,885,500
October.....	14,631	101,370,000
November.....	9,930	68,259,000
December.....	9,635	61,176,000
1920.		
January.....	7,689	50,231,500
February.....	6,529	42,805,500
March.....	6,210	41,302,000
April.....	6,216	43,078,500
May.....	4,433	28,725,000
June.....	4,746	30,553,500
Total for year.....	93,877	623,245,000
Total to date.....	4,631,993	40,284,892,500

TOTAL TERM INSURANCE APPLICATIONS, 4,631,993; AMOUNT,
\$40,284,892,500.

The total number of term insurance applications received from the enactment of the war risk insurance act, October 6, 1917, to June 30, 1920, was 4,631,993, representing \$40,284,892,500, the amount of insurance requested. These figures do not represent the exact number of certificates and amount of insurance actually issued, due to duplicate and voided applications withdrawn. A fair estimate of the average amount of insurance applied for was \$8,697.

4,610,185 TERM INSURANCE CERTIFICATES ISSUED.

The bureau has issued approximately 4,610,185 term insurance certificates. In some instances two or more certificates were issued, due to duplicate applications, so that this figure must be taken as an estimate.

REINSTATEMENTS AMOUNTING TO \$641,213,000 RECEIVED DURING FISCAL YEAR.

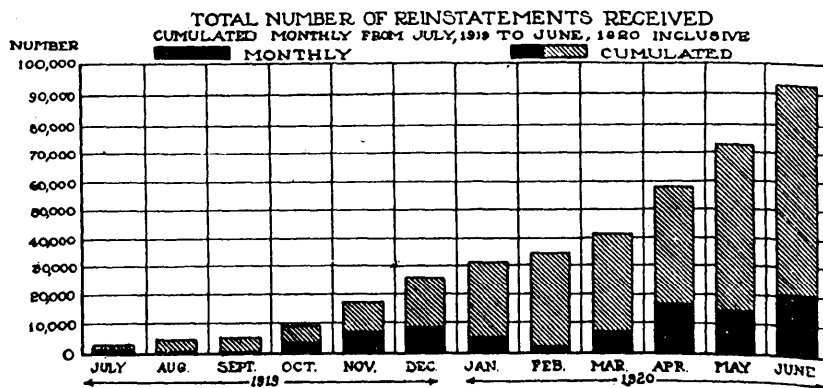
The gross number of reinstatements of term insurance received by the Bureau of War Risk Insurance from July 1, 1919, to June 30, 1920, inclusive, was 90,026. The amount reinstated was \$641,213,000.

The following table shows the number and amount of reinstatements received each month during the fiscal year ended June 30, 1920, and the total received to date:

Number and amount of term insurance reinstatements effected each month and cumulated monthly from July, 1919, to June 30, 1920, inclusive.

Date.	Reinstatements effected.			
	During month.		Total to end of month.	
	Number.	Amount.	Number.	Amount.
Total to July 1, 1919			2,205	\$17,458,000
1919.				
July	1,543	\$12,950,000	3,748	30,408,000
August	883	6,742,000	4,631	37,150,000
September	590	5,067,500	5,221	42,217,500
October	3,997	30,898,000	9,218	73,115,500
November	7,774	58,410,000	16,992	131,525,500
December	8,976	67,688,500	25,968	199,214,000
1920.				
January	5,221	38,767,500	31,189	237,981,500
February	2,642	19,040,500	33,831	257,022,000
March	7,281	53,874,500	41,112	311,796,500
April	16,696	116,352,000	57,808	428,148,500
May	14,316	91,329,000	72,124	519,477,500
June	20,107	139,193,500	92,231	658,671,000
T total for fiscal year	90,026	641,213,000		
Total to date			92,231	658,671,000

The following chart shows the total number of reinstatements received to the end of each month from July, 1919 to July, 1920:



3,849,658 PREMIUM REMITTANCES RECEIVED DURING FISCAL YEAR.

In the year ending June 30, 1920, 3,849,658 premium remittances, amounting to \$28,125,475.55, were paid direct to the bureau. This amount includes money which had not been credited to the military and naval insurance appropriation as well as that credited. With few exceptions, these were paid by ex-service men.

The following table shows the number and amount of term-insurance premium remittances paid direct to the bureau each month during the fiscal year ended June 30, 1920, and the total number and amount received from the beginning of the bureau to that date. The amount is a gross figure, including funds turned over to the Treasury, received and held for recording and checking against accounts, as well as refunds.

Number and amount of term-insurance premium remittances paid direct each month from July, 1919, to June 30, 1920, and the total to June 30, 1920.

Date.	Premium remittances received.	
	Number.	Amount.
1919.		
July	390,622	\$3,209,202.20
August	338,981	2,730,169.78
September	374,199	2,820,450.22
October	404,015	3,072,411.30
November	282,572	2,122,187.00
December	178,344	1,280,092.75
1920.		
January	395,734	2,930,606.72
February	348,330	2,469,752.30
March	314,560	1,957,154.86
April	291,837	1,951,860.81
May	277,901	1,896,990.72
June	252,563	1,684,596.89
Total for year	3,849,658	28,125,475.55
Total to date	5,466,350	41,140,979.75

PREMIUMS PAID DIRECT DURING FISCAL YEAR TOTAL \$28,778,036.32.

It has been a most difficult task to advise and educate the numerous policyholders of the means and ways of paying premiums on their insurance. Despite this fact the net term insurance premiums paid direct and credited to the military and naval insurance appropriation totaled \$39,829,642.40 on June 30, 1920; \$28,778,036.32 of this amount was credited during the fiscal year ended June 30, 1920. This includes money received prior to June 30, 1919, but credited during the year ended June 30, 1920.

5,448,316 PREMIUM NOTICES MAILED IN FISCAL YEAR.

Premium notices are monthly notices or bills which the bureau plans to send to all insurance certificate holders paying currently and whose insurance has not lapsed more than three months; 5,448,316 of these notices were mailed out in the fiscal year ended June 30, 1920.

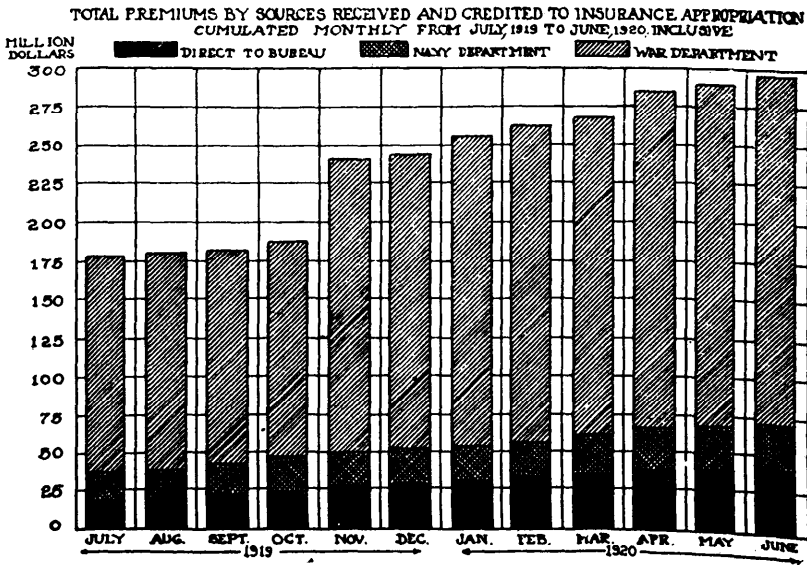
PREMIUMS TOTALED \$298,864,307.07 WITH \$108,299.41 IN REFUNDS.

It has been an almost superhuman task to correctly check up the premiums due from the War and Navy Departments which were authorized by the insured while in the military or naval service. Premiums received from all sources and credited to the military and naval insurance appropriation by the Treasury Department to June 30, 1920, totaled \$298,864,307.07, and the amount of premiums refunded was \$108,299.41. The premiums received by sources, to June 30, 1919, and to June 30, 1920, are shown in the following table:

Analysis of premiums received and credited to military and naval insurance appropriation to June 30, 1919, and to June 30, 1920.

Source.	Amount received—	
	To June 30, 1919.	To June 30, 1920.
War Department.....	\$143,065,662.11	\$228,370,731.38
Navy Department.....	18,439,739.48	30,555,402.98
Direct to bureau.....	11,072,850.54	39,937,941.81
United States Public Health Service.....	230.90	230.90
Gross receipts.....	172,578,483.03	298,864,307.07
Refunds.....	21,244.46	108,299.41
Net receipts.....	172,557,238.57	298,756,007.66

The amounts received, cumulated monthly, in payment of premiums and credited to the insurance appropriation are shown by sources in the following chart:



163,210 APPLICATIONS FOR UNITED STATES GOVERNMENT LIFE INSURANCE
RECEIVED AND REGISTERED TO JUNE 30, 1920.

A section of the Insurance Division was organized on May 8, 1919, to execute the conversions of term insurance to such forms of permanent or United States Government life insurance as the insured request. As the work of this section prior to July 1, 1919, was largely preliminary, the data here given accordingly covers the whole period from May 8, 1919, to June 30, 1920; 163,210 applications, amounting to \$538,578,000, were received and registered, and the average amount applied for was \$3,299.90 per policy. There were also 4,413 applications received but not registered.

152,979 PERMANENT INSURANCE POLICIES APPROVED TO JUNE 30, 1920.

Permanent insurance policies numbering 152,979 and amounting to \$511,821,500 were approved to June 30, 1920. The average face value per policy was \$3,345.70.

PENDING APPLICATIONS NUMBER 14,192.

Fourteen thousand one hundred and ninety-two applications for the conversion of term insurance to such form of permanent or United States Government life insurance as the insured may request had not been approved as of the close of the fiscal year. The applications represented were awaiting complete information as to the physical condition of the person desiring to convert his insurance or to determine if sufficient premium payments had been made to effect the conversion.

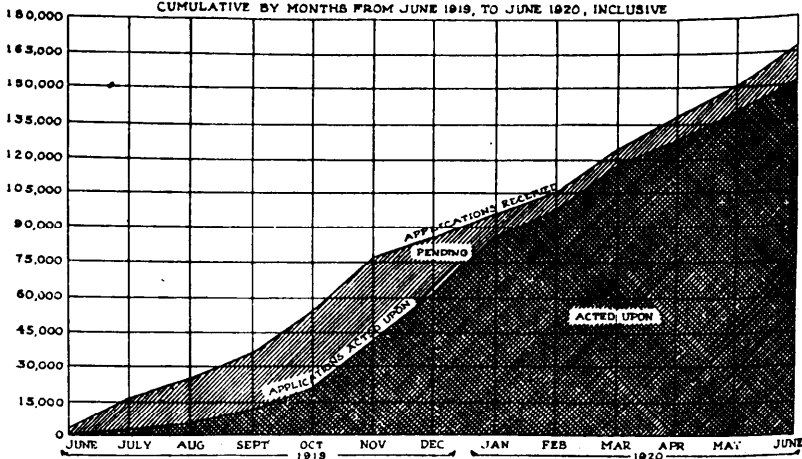
The following table affords a comparison of the number of applications received and registered and the number approved from July, 1919, to June 30, 1920, inclusive:

Number and amount of applications for permanent insurance registered, approved, disapproved, and pending, by months, from July, 1919, to June 30, 1920, inclusive.

Date.	Applications registered (gross).		Policies approved.		Applications disapproved.		Applications pending.
	Number.	Amount.	Number.	Amount.	Number.	Amount.	
1919.							
July.....	13,449	\$45,138,500	2,436	\$9,039,000			14,320
August.....	7,800	24,366,000	3,750	13,474,500			18,370
September.....	11,505	33,195,000	5,882	19,892,000			23,993
October.....	18,918	59,917,000	9,639	32,716,500			32,272
November.....	23,244	74,837,000	20,487	67,364,500			35,985
December.....	7,575	24,176,000	19,840	63,166,000			23,417
1920.							
January.....	11,222	34,656,500	21,910	75,754,000			9,463
February.....	9,236	32,825,000	10,809	35,360,000	166	\$543,500	7,674
March.....	19,759	68,814,000	19,237	67,928,500	92	338,000	8,013
April.....	12,287	45,311,000	11,592	41,702,000	28	177,000	10,079
May.....	12,021	41,066,000	12,587	44,311,500	89	381,500	9,570
June.....	13,738	49,292,500	11,810	41,083,000	77	361,000	14,192
Net total.....	159,903	527,555,500	152,979	511,821,500	452	1,801,000	

¹ 851 applications, amounting to \$6,039,000, voided.

NUMBER OF APPLICATIONS FOR PERMANENT INSURANCE RECEIVED AND NUMBER ACTED UPON CUMULATIVE BY MONTHS FROM JUNE 1919, TO JUNE 1920, INCLUSIVE



540,458 PREMIUMS, AMOUNTING TO \$10,047,463.61, PAID ON CONVERTED POLICIES DURING YEAR.

The number of premiums paid on converted insurance during the year ended June 30, 1920, was 540,458, amounting to \$10,047,463.61. It will also be interesting to note that in July, 1919, there were 10,722 premiums paid to the bureau, representing \$347,511.81, and for the month of June, 1920, there were 89,440 premiums paid, repre-

senting \$1,455,955.09, which shows a decided growth and interest in converted insurance.

UNITED STATES GOVERNMENT LIFE INSURANCE FUND TOTALS
\$10,294,330.07.

On December 24, 1919, Congress authorized the Bureau of War-Risk Insurance to create a fund, to be known as the United States Government life insurance fund, to which all converted insurance premiums are credited. This fund amounted to \$10,294,330.07 on June 30, 1920. It is available for the purpose of investment and the payment of converted insurance claims.

The following table shows the condition of this fund monthly from January, 1920, to June, 1920, inclusive. Deposits for January include all premiums accumulated prior to December 24, 1919, when the investment of funds was authorized by act of Congress, and from that date to the end of January.

Statement of United States Government life insurance fund, showing amounts deposited in United States Treasury, investments made, amounts reserved for current payments, and net cash balances, monthly, and total as of June 30, 1920.

Date.	Deposited to fund.		Invested.		Reserve fund total.	Net cash balance.
	Monthly.	Total.	Monthly.	Total.		
1920.						
January	\$3,936,341.36	\$3,936,341.36	\$3,899,954.46	\$3,899,954.46		\$36,386.90
February	855,077.24	4,791,418.60	884,844.51	4,784,798.97		6,619.63
March	1,772,900.00	6,564,318.60	1,680,344.10	6,465,143.07	\$14,000.00	85,175.53
April	1,134,691.76	7,699,010.36	1,169,605.35	7,634,748.42	24,000.00	40,261.94
May	1,190,319.71	8,889,330.07	1,171,635.10	8,806,383.52	49,000.00	33,946.55
June	1,405,000.00	10,294,330.07	1,326,110.17	10,132,493.69	59,000.00	102,836.38

SIX PLANS REPRESENTED IN APPROVED POLICIES.

The following table gives a comparison of the various kinds of life insurance involved in the applications for conversion approved to June 30, 1920:

Analysis of approved applications for United States Government life insurance.

Plan.	Policies approved to June 30, 1920.	
	Number.	Amount.
20-payment life	45,208	\$182,830,500
20-year endowment	71,011	168,276,000
Ordinary life	17,462	77,986,000
30-year endowment	8,925	35,353,500
Endowment at 62	6,189	27,516,000
30-payment life	4,184	19,859,500
Total	152,979	511,821,500

OPTIONS FOR PAYMENT OF INSURANCE.

The following table shows the number of each option requested in the original applications for converted insurance as far as the

tabulation is completed. It will be of interest to note that the amendatory legislation passed by Congress authorized the payment of converted insurance in a lump sum which represents the outstanding option selected.

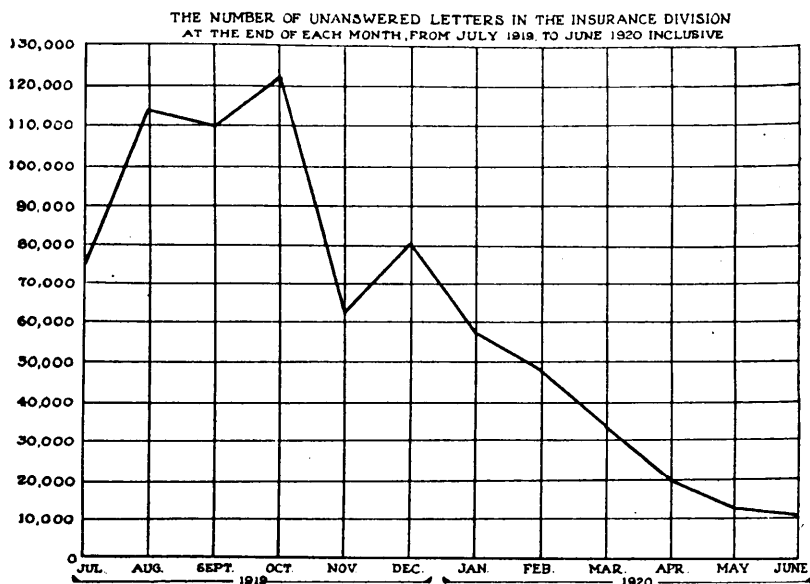
Number of requests for each of the optional payment of insurance, received and tabulated to June 30, 1920.

Option.	Number of requests.
Option 1 (lump sum).....	44,975
Option 2 (limited installments).....	2,190
Option 3 (continuous installments).....	202
Total.....	47,367

10,846 UNANSWERED LETTERS IN THE INSURANCE DIVISION ON JUNE 30, 1920.

At the close of business June 30, 1920, there were 10,846 unanswered letters in the insurance division, or slightly over one day's receipt of mail. The answering of correspondence was, therefore, upon a current basis as of the close of the fiscal year in spite of the fact that this division had handled millions of pieces of mail and millions of premium-receipt notices during the year.

The following chart shows the number of unanswered letters at the end of each month from July, 1919, to June 30, 1920:



Part VII.

COMPENSATION AND INSURANCE CLAIMS DIVISION.

COMPENSATION.

(The compensation operations of this division causing the Government to act in the capacity of an employers' liability company approving 44,546 claims for compensation on account of death resulting from service, causing monthly payments of \$1,395,588.49, and of 184,405 claims for compensation on account of disabilities through service with monthly payment of \$8,152,361.70.)

Upon the declaration of war by the President, April 6, 1917, immediate study was given to the system of military pensions that had grown up in the United States and elsewhere and which it was believed would not meet the needs of this Government in caring for those persons injured or killed in the service of their country or for their dependents. Great progress, both in thought and practice, had been made in the development of so-called workmen's compensation laws, and it was felt that the situation of the man injured or killed while in the military or naval service was closely analogous to that of a civilian employee suffering an industrial injury. And just as in that case, the United States Government, through the Federal employees' compensation act of 1916 recognized its obligation, not only to provide adequate medical care, but also adequate support to the injured man and his family in proportion to their need, so it was properly contended that adequate provision should be made for family and for the man injured or killed in the military service.

It was also believed that a clear differentiation should be made between a service pension and payment of compensation for disability, and that the Government should announce its policy to the effect that whatever allowances were made were on account of disability or death sustained while in service, but not merely by reason of the service itself. Hence, the war-risk insurance act, with its compensation feature, was conceived and enacted into legislation, by which no general service pensions were authorized, as was the case in previous wars, but by which provision was made for the payment of compensation, so-called, for injury received or disease contracted in proportion to the extent of disability. So also compensation benefits were provided for the dependents of a deceased soldier, based not upon the general theory of service rendered in the Army, but upon a finding that the survivors of a deceased were actually or constructively dependent upon such person for support.

Compensation, as viewed from the provisions of the original war-risk insurance act of October 6, 1917, is divided into two classes—compensation by reason of the death of a soldier and compensation to the soldier for injury or disease contracted in or due to the service.

COMPENSATION FOR DEATH.

Under Article III, sections 300 and 301, of the act of October 6, 1917, compensation is payable where death results from personal injury suffered or disease contracted in line of duty; but no compensation for death is payable if the injury or disease resulting in death was caused by the person's own willful misconduct.

The permitted class of persons entitled to receive compensation includes a widow until her remarriage, and a dependent widower of any female member of the Army or Nurse Corps; children before attaining the age of 18 years; and a dependent mother or dependent father. Where compensation is payable on behalf of a widow or children, no dependency need be established. In such cases compensation is paid merely by reason of the relationship, in view of the fact that the statute recognizes the moral and legal obligation of a man to support his wife and children. Where, however, compensation is claimed by parents, they must establish, by proof satisfactory to the bureau, that they were dependent upon the enlisted man for support and that if he were living such state of dependency would continue to exist. In this class of cases the dependency may arise at any time within five years after the death of the enlisted person. A father or mother already receiving compensation on account of the death of one child is not entitled to further compensation payments on account of the death of another. This provision is based on the well-established rule long on the statute books of the country that a person is not entitled to receive more than one pension from the Government.

The following benefits are provided as compensation for death due to service: The widow is entitled to \$25 per month; widow and one child, \$35; widow and two children, \$42.50; widow and three children, \$47.50; widow and four children, \$52.50, with no further allowance made for additional children. In the event the widow is not living, \$20 monthly for the first child; for the second child, \$10 in addition; the third, \$10; the fourth, \$5; the fifth, \$5; and no further allowance for additional children. A mother or father is entitled to receive \$20; if both are dependent they are entitled to receive \$15 each. The maximum family benefit in case of death is \$75.

COMPENSATION FOR DISABILITY.

Article III, section 302, of the act of Congress approved October 6, 1917, provided that for a disability resulting from an injury suffered or disease contracted in line of duty the following monthly benefits should be paid: To a single man totally disabled, \$30; if he had a wife, \$45; a wife and one child, \$55, with \$10 additional for each child up to three; if he had a dependent father or mother, \$10 additional for each dependent parent. Where the disability was partial, but of a permanent character, the amount payable was determined in accordance with a schedule of ratings compiled from statistics relating to the average impairment of earning capacity resulting from such injuries in civil occupations. In such cases no reduction in the rate of compensation is made in the event that the individual is successful in overcoming the handicap of his permanent injury. Where,

however, the disability was partial, but of a temporary nature, the amount payable is the percentage of the compensation that would be payable for his total disability equal to the degree of reduction in earning capacity. In determining this amount, the man's dependents were considered, so that a man with a family who was temporarily partially disabled received proportionately more than the single man. The only exception to this rule was made in the case of men suffering from the loss of both feet, or both hands, or both eyes, or those becoming totally blind or helplessly and permanently bedridden, in which event the act authorizes the payment of \$100 monthly irrespective of the man's family conditions. Provision was also made for the payment of \$20 monthly where the man was totally disabled and in addition so helpless as to be in constant need of a nurse or attendant. In the act as passed on October 6, 1917, this amount could not be paid to a person receiving \$100 monthly, but by subsequent amendment payment for a nurse or attendant was authorized even in this class of cases.

In the original organization of the bureau the rendering of medical attention was under the control of the same division head, whose duty it was to finally pass on all phases of compensation cases. As this work grew and the medical care and treatment became more specialized, it became evident that these two functions should be divorced from each other and that specialists should be placed in an organized medical division responsible for this work. However, it has been proved that some delay was occasioned where the two divisions worked separate and apart, and therefore plans are now being formulated whereby these two functions, while they will still retain their identity, will nevertheless be maintained in a unit system. This will bring the two in closer contact and will result in the immediate adjudication of compensation claims.

As the demobilization of the Army became complete and the compensation disability claims poured into the bureau by the thousands, the absolute inadequacy of the compensation provided under the act of October 6, 1917, became more evident from day to day. The cost of living had increased to such a great extent that it was obvious that a disabled soldier suffering a total disability should receive an amount in excess of \$30 per month. As the result of the situation created by these conditions, together with other reasons which became apparent from time to time, the bureau drafted and submitted for enactment legislation to cure the existing defects. On December 24, 1919, Congress passed an amendment to the war risk insurance act which, in addition to numerous other beneficial features, materially increased the basic compensation payment for disability. The following, which is self-explanatory, is quoted from the act of December 24, 1919:

If and while the disability is rated as total and temporary, the monthly compensation shall be the following amounts: If the disabled person has neither wife nor child living, \$80; if he has a wife but no child living, \$90; if he has a wife and one child living, \$95; if he has a wife and two or more children living, \$100; if he has no wife but one child living, \$90, with \$5 for each additional child; if he has a mother or father, either or both dependent on him for support, then in addition to the above amounts, \$10 for each parent so dependent; if and while the disability is rated as partial and temporary, the monthly compensation shall be a percentage of the compensation that would be payable for his total temporary disability equal to the

degree of the reduction in earning capacity resulting from the disability, but no compensation shall be payable for a reduction in earning capacity rated at less than 10 per cent. If and while the disability is rated as total and permanent, the rate of compensation shall be \$100 per month: *Provided, however,* That the loss of both feet, or both hands, or the sight of both eyes, or the loss of one foot and one hand, or one foot and the sight of one eye, or one hand and the sight shall be deemed to be total, permanent disability: *Provided, further,* That for double, total, permanent disability, the rate of compensation shall be \$200 per month. If and while the disability is rated as partial and permanent, the monthly compensation shall be a percentage of the compensation that would be payable for his total and permanent disability equal to the degree of the reduction in earning capacity resulting from the disability, but no compensation shall be payable for a reduction in earning capacity rated at less than 10 per cent. If the disabled person is so helpless as to be in constant need of a nurse or attendant, such additional sum shall be paid, but not exceeding \$20 per month, as the director may deem reasonable.

In addition to the increased compensation above provided in the legislation of December 24, 1919, the amendment was made retroactive in its effect. This feature necessitated the readjustment of all claim for disability compensation, since the basis upon which awards were made had been changed from \$30 to \$80 monthly, and \$100 in the case of permanent disability. Claims numbering 127,000 were reviewed and the retroactive payments were dispatched within 30 days from the passage of the amendment.

DISALLOWANCE OF DEATH AND DISABILITY CLAIMS.

Compensation death claims are disallowed where a soldier dies and is survived by no person entitled to compensation, or where the death was not in line of duty and due to the soldier's own willful misconduct, or where the claimant fails to submit proof in support of his claim. During the fiscal year there have been 18,581 compensation death claims disallowed, and during the period ending June 30, 1920, there were 80,480 of such claims disallowed.

Official or informal advice received by the bureau giving notice of a death of an ex-service person suffering from a disability as a result of military or naval service is regarded as a potential claim. It therefore develops that oftentimes where there is a formal disallowance of a compensation claim there never in fact was a valid claim. This will explain the fact that up to date there have been 123,109 compensation death and disability claims disallowed, and also the fact that during the fiscal year there have been 53,047 compensation death and disability claims disallowed. However, it should be distinctly understood that no disallowance operates as a final bar to the allowance of a claim. Disallowed claims may be reopened upon the submission of additional proof, and if warranted by the additional evidence, the disallowance may be removed and an award made.

Compensation disability claims are disallowed where the injury or disease is not of a compensable degree, i. e., less than 10 per cent of total disability; or where the injury or disease was not contracted in line of duty and was due to soldier's own misconduct; or in cases where it is impossible to communicate with claimant; or when communications remain unanswered by the claimant. During the fiscal year, 34,466 compensation disability claims have been disallowed, and during the period ending June 30, 1920, a total of 42,629 compensation disability claims were disallowed.

The present fiscal year may be properly designated as a disability compensation year, not only because the majority of death claims had previously been disposed of, but also because of the vast number of disability claims filed and adjudicated, due, no doubt, to the broadened and enlarged scope of the act as effected by the amendatory legislation of December 24, 1919. This condition will be readily apparent in viewing the tables hereinafter set forth.

COMPENSATION CLAIMS FILED DURING FISCAL YEAR.

During the fiscal year ended June 30, 1920, 198,485 compensation claims (including reassigned claims) for both death and disability were received. This included 15,534 death and 182,951 disability claims. The total number filed from the beginning of the bureau to June 30, 1920, was 435,448. Previous to July 1, 1919, no separate records of death and disability claims received were kept.

COMPENSATION CLAIMS ACTED UPON DURING FISCAL YEAR.

Approximately 228,825 claims for compensation were acted upon during the fiscal year ended June 30, 1920. This figure is submitted as a close estimate, inasmuch as the same case may be recorded in both the allowed and in the disallowed column. This happens when further investigation or developments make a rerating necessary. The figures given below are sufficiently accurate, however, to show the nature and volume of this class of cases handled by the bureau during the year.

The table also shows a comparison of the claims allowed and disallowed monthly during the fiscal year ended June 30, 1920, and also the total number acted upon to that date.

Comparison of the number of claims allowed and disallowed monthly from July, 1919, to June, 1920, inclusive, and the total number acted upon to date.

Date.	Claims acted upon.		
	Allowed.	Disallowed.	Total.
1919.			
July.....	14,995	2,349	17,344
August.....	14,978	9,560	24,538
September.....	16,488	5,325	21,813
October.....	23,076	1,817	23,893
November.....	15,317	6,585	21,902
December.....	12,562	6,478	19,040
1920.			
January.....	14,095	3,359	17,454
February.....	10,254	2,872	13,126
March.....	14,727	4,891	19,618
April.....	13,062	4,392	17,454
May.....	12,483	1,798	14,281
June.....	13,711	4,621	18,332
Total for year.....	175,778	53,047	228,825
Total to date.....	228,951	123,109	352,060

¹ Adjusted.

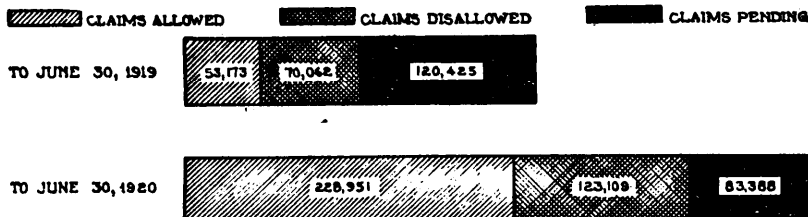
The disposition of all compensation claims received to June 30, 1920, and the amount of monthly payments as originally awarded are shown in the following table: ✓

Disposition of compensation claims (except burial claims) filed from Oct. 6, 1917, to June 30, 1919, and to June 30, 1920.

Action taken.	To June 30, 1919.	To June 30, 1920.	Amount of monthly payment awarded—	
			To June 30, 1919.	To June 30, 1920.
	50			
Claims allowed.....	53,173	228,951	\$1,554,784.75	\$9,011,946.26
Claims disallowed.....	70,062	123,109		
Claims pending.....	120,425	83,388		
Total.....	243,660	435,448		

The chart presented below shows the disposition of compensation claims received to June 30, 1919, and to June 30, 1920:

DISPOSITION OF COMPENSATION CLAIMS RECEIVED



ANALYSIS OF PENDING COMPENSATION CLAIMS.

Out of the 435,448 compensation claims received to June 30, 1920, there were 83,388 claims pending. The number of claims pending shows a decrease of 30 per cent as compared with the compensation, death, and disability claims pending at the end of the previous fiscal year. This work shows a substantial decrease in spite of the increased volume of claims received in the bureau during the present fiscal year. The following are some of the reasons which rendered it impossible to make awards on the present pending claims: (1) Awaiting official information as to line of duty and misconduct status; (2) claimant's failure to present required proof; (3) awaiting appointment of guardian; (4) delay in reporting for physical examination on the part of claimant or in receiving the report of physical examination; (5) address of claimant unknown; (6) communications unanswered by claimant; (7) death claims delayed awaiting official notice of date and cause of death. ✓

DEATH VERSUS DISABILITY CLAIMS.

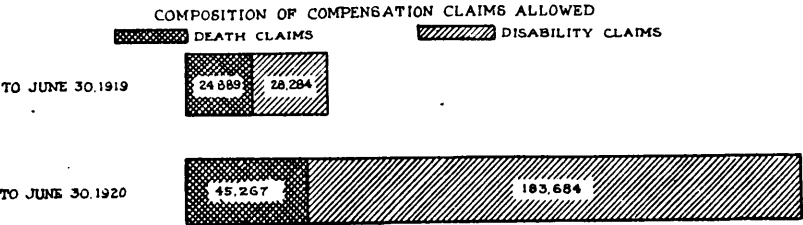
Of the 228,951 compensation claims allowed to June 30, 1920, 45,267 were death and 183,684 disability claims. The following table shows

the number of disability and death claims allowed monthly during the fiscal year ended June 30, 1920, and the total number granted to June 30, 1920:

Number of death and disability claims allowed monthly during fiscal year ended June 30, 1920, and the total to June 30, 1920.

Date.	Claims allowed.		
	Death.	Disability.	Total.
1919.			
July.....	3,071	11,919	14,990
August.....	2,497	12,481	14,978
September.....	2,184	14,304	16,488
October.....	2,087	20,089	23,076
November.....	1,679	13,638	15,317
December.....	1,378	11,184	12,562
1920.			
January.....	1,429	12,666	14,095
February.....	1,087	9,167	10,254
March.....	1,378	13,354	14,732
April.....	1,186	11,906	13,092
May.....	661	11,822	12,483
June.....	836	12,875	13,711
Total for year.....	20,373	155,405	175,778
Total to date.....	45,267	183,684	228,951

The proportion of death and disability claims granted to June 30, 1919, and to June 30, 1920, is shown in the following graph:



ACTIVE VERSUS CLOSED CLAIMS.

Of the 228,951 claims allowed to June 30, 1920, 2,322 death claims and 49,276 disability claims have been closed. The number of active death and disability claims has increased from 49,405 on June 30, 1919, to 177,353 on June 30, 1920.

The following table shows the number of active and closed claims to June 30, 1919, and to June 30, 1920:

Analysis of compensation claims (except burial) allowed, showing whether payments are being made or whether cases are closed, to June 30, 1919, and to June 30, 1920.

Nature of claim.	Compensation claims allowed.	
	To June 30, 1919.	To June 30, 1920.
Death claims:		
Active	24,458	42,945
Closed	431	2,322
Disability claims:		
Active	24,947	134,408
Closed	3,337	49,276
Total allowed (current)	53,173	228,951
Total active	49,405	177,353

ANALYSIS OF COMPENSATION CLAIMS ON WHICH PAYMENTS HAVE BEEN TERMINATED.

To June 30 payments had been terminated on 51,598 compensation claims. The following table gives the gross number of terminated payments for the period of January 1, 1920, to June 30, 1920, analyzed as to reasons for termination. While no analysis has been made of claims closed prior to January 1, 1920, which numbered 27,357, the following table is believed to be sufficient to show the principal reasons for closing claims. It may in some instances be necessary to review the award as a result of further investigation or developments.

Gross number of compensation claims on which payments have been terminated from Jan. 1 to June 30, 1920, analyzed as to reasons for termination.

Reason.	Number.
Accepted vocational training	15,714
Claimant recovered	2,337
Payee remarried	658
Payee dead	1,517
Not dependent	49
Erroneous award	131
Refuses compensation	83
Failure to cooperate	409
Pending appointment of guardian	142
Can not locate claimant	227
Pending investigation	243
Reenlisted	81
Disability less than 10 per cent.	2,341
Disability not result of service	135
Miscellaneous	174
Total from Jan. 1, 1920, to June 30, 1920.	24,241
Total to date	51,598

134,408 ACTIVE DISABILITY CLAIMS ON JUNE 30, 1920.

Current monthly payments were being made on 134,408 compensation disability claims on June 30, 1920. The degrees of disability of these claims on June 30, 1920, are given in the table which follows, with the value of the monthly payments.

Analysis of compensation disability claims active on June 30, 1920, showing disability ratings and value of monthly payments.

Degree of disability.	Number.	Value of monthly payments on June 30, 1920.	
		Total.	Average per claim.
Temporary total.....	31,476	\$2,732,950.14	\$86.82
Temporary partial.....	87,865	1,678,853.19	19.10
Specific indemnity or permanent partial.....	11,863	295,924.58	24.94
Permanent total.....	3,204	328,376.00	102.48
Grand total.....	134,408	5,036,103.91	

ANALYSIS OF MONTHLY DISABILITY RATINGS.

It will be noted that the value of the monthly payments of compensation for disability was \$5,036,103.91 on June 30. The actual amount disbursed in these cases in the month of June, 1920, however, was \$8,152,361.70. This difference is due to the fact that the "face value" figure, \$5,036,103.91, as of the end of the month obviously can not include awards terminated during the month, amounts involved in reratings, retroactive awards, awards changed from disability to death, nor awards made of necessity after the period of disability had ceased—all of which are included in the gross amount, \$8,152,361.70, disbursed during the month of June.

Monthly ratings are shown in the following analysis of active disability claims. The figures here given represent the status as of the end of each month during the fiscal year ended June 30, 1920.

Analysis of the total number of compensation disability claims active at the end of each month from July, 1919, to June, 1920, inclusive.

Date.	Degree of disability.				
	Temporary total.	Temporary partial.	Permanent partial.	Permanent total.	Grand total.
1919.					
July.....	31,254	3,855	2,044	601	37,754
August.....	37,720	6,674	4,072	647	49,113
September.....	41,607	13,106	6,910	721	62,344
October.....	41,072	22,499	8,789	803	73,163
November.....	36,554	31,483	9,746	831	78,614
December.....	36,556	38,436	10,170	960	86,122
1920.					
January.....	34,564	48,767	10,763	1,226	95,320
February.....	32,677	55,927	11,130	1,486	101,220
March.....	31,120	64,300	11,298	2,056	108,774
April.....	31,415	71,727	11,456	2,524	117,122
May.....	31,301	79,158	11,763	2,819	125,041
June.....	31,476	87,865	11,863	3,204	134,408

ANALYSIS OF DISALLOWED COMPENSATION CLAIMS.

To June 30, 1920, 123,109 claims for compensation had been disallowed. The following analysis is of the claims disallowed from January 1, to June 30, 1920, prior to which date no record of reasons for disallowances was kept. While this data covers only

a six-months' period it is believed that the percentages shown indicate the reasons for these disallowances.

Number of disallowed compensation claims, analyzed as to reasons for disallowance, from Jan. 1 to June 30, 1920.

Reason.	Number.
Claim not submitted or withdrawn.....	8,314
Refused examination or treatment.....	187
Disability less than 10 per cent.....	7,365
No relative in permitted class.....	1,352
Unable to locate claimant.....	2,703
Still in service.....	180
Not in service.....	250
Not result of service.....	2,415
Man not dead.....	239
Dishonorable discharge.....	25
No dependents.....	904
Reenlisted.....	20
Misconduct.....	180
Dependency not shown.....	237
No response.....	633
Miscellaneous.....	94
Total from Jan. 1 to June 30, 1920.....	25,098
Total to date.....	123,109

COMPENSATION PAYMENTS TOTAL \$103,122,714.92 FOR YEAR.

During the year ending June 30, 1920, \$103,122,714.92 was disbursed in payment of compensation awards. This amount included \$558,189.53 paid out in burial awards and \$2,136,562.85 expended for medical care.

COMPENSATION PAYMENTS AMOUNT TO \$114,765,422.84 ON JUNE 30, 1920.

The amount of money actually disbursed in payment of compensation awards, including burial awards and medical care, from the beginning of the bureau to June 30, 1920, was \$114,765,422.84.

41,115 COMPENSATION CHECKS, AMOUNTING TO \$3,344,810.32, RETURNED TO JUNE 30, 1920.

Returned compensation checks numbered 41,115, and amounted to \$3,344,810.32 to June 30, 1920.

The following table shows the disposition made of all compensation checks returned to June 30, 1920:

Analysis showing disposition of compensation award checks returned to June 30, 1920.

Disposition.	Checks returned to June 30, 1920.	
	Number.	Amount.
Canceled.....	15,687	\$1,324,660.45
Remailed ¹	23,316	1,884,462.97
Filed.....	2,112	135,686.90
Total returned.....	41,115	3,344,810.32

¹ Estimated.

ANALYSIS OF RETURNED COMPENSATION AWARD CHECKS.

The following table shows the number of checks returned to June 30, 1920, and the reason therefor, as listed by the compensation and insurance claims division:

Analysis of reasons for returning compensation award checks to June 30, 1920.

Reason.	Number returned to June 30, 1920.
Incorrect address.....	23,600
Payee deceased.....	4,678
Clerical errors.....	909
Overpayments.....	1,922
Duplicate awards made.....	156
Payee remarried.....	716
Wrongly reported dead.....	5
Compensation not accepted.....	207
Amount questioned.....	885
Title questioned.....	606
Vocational training.....	5,873
Miscellaneous.....	1,578
Total.....	41,115

The two main reasons for compensation checks being returned—"Incorrect address" and "Vocational training"—should be explained. The number of checks returned because of incorrect address may appear unusually large at first sight, but the records of the bureau disclose that approximately 800 changes of address are received each day. Consequently it is often impossible to amend the necessary records changing the address of a beneficiary at a time when the account of the beneficiary entitled to compensation is in process of payment. In regard to the number of checks returned because of vocational training, it should be explained that a person is not entitled to receive compensation payments while in receipt of maintenance and pay from the Federal Board for Vocational Education. The number of checks noted as returned represent persons entitled to compensation who have commenced a course of vocational training and who have therefore returned their compensation checks to the bureau. These checks were issued when they became due, because of the fact that the bureau had no notice of the fact that the beneficiary had commenced a course of vocational training.

CASH REFUNDS ON COMPENSATION AWARDS TOTALED \$209,597.20 TO JUNE 30, 1920.

In addition to the returned checks, \$209,597.20 in cash, personal checks, etc., had been refunded to the bureau to June 30, 1920, for checks sent out in payment of compensation awards and returned for the reasons shown in the above analysis. Cash refunds on compensation awards totaled \$189,687.72 for the year ending June 30, 1920.

BURIAL AWARDS.

The act of October 6, 1917, provides that if death occurs before resignation or discharge from the service the United States will pay

for the return home and burial of the body of the deceased a sum not to exceed \$100. Acting under this authority, the bureau has settled the following number of burial claims.

30,861 BURIAL AWARDS TO JUNE 30, 1920.

Thirty thousand eight hundred and sixty-one burial awards had been made by the bureau to June 30, 1920, with a value of \$2,175,-270.06. During the year burial awards amounted to \$558,189.53.

INSURANCE CLAIMS.

(The insurance operations of this division representing 128,300 insurance claims settled on account of death, representing insurance to the amount of \$1,141,818,133.48, and the settlement of 3,257 claims for insurance on account of permanent and total disability involving insurance to the amount of \$28,536,540.)

In addition to providing for compensation for disabled soldiers and for the dependents of soldiers killed in the service, the Government made provision, under the act of October 6, 1917, whereby those who desired might apply for insurance at reasonable rates payable to beneficiaries designated by them, though actually not dependent upon them. The prime reason for such insurance was that many private companies could issue policies covering the hazards of war without charging for the risk covered.

The act of October 6, 1917, under Article IV, made provisions for two widely differentiated classes of insurance, namely, contract and automatic insurance.

"CONTRACT" OR WAR RISK TERM INSURANCE.

Contract insurance is protection for which a person in the active service of the United States after October 6, 1917, made application, and represents a contract between the individual and the Government. The act provides that insurance may be applied for in amounts ranging from \$1,000 to \$10,000, in multiples of \$500. Those desiring to avail themselves of the term insurance offered by the Government did so by making application for it. Such application included the amount of the policy and the person or persons to whom benefits should be payable upon the death of the insured. To keep the policy in force the insured was obligated to make premium payments. Where the insured was in the service, the bureau effected an arrangement with the War Department and Navy Department, respectively, whereby he could authorize monthly premium deductions from their pay.

The class of beneficiaries in whose favor contract insurance might be drawn was limited because of the fact that this legislation was enacted wholly as a support measure. It was imperative, therefore, that the insured keep within this permitted class in choosing the person or persons to whom the benefits were to accrue at his death. The class permitted under the act of October 6, 1917, included a spouse, child, grandchild, parent (the definition of the term "parent" including a grandparent, father or mother, step-parents of either the person in the service or of the spouse), brother, or sister.

The insured was permitted to name one or more of this list as contingent beneficiaries in event of his death. However, at any time, he was privileged to change his beneficiary or beneficiaries without their consent and designate any other or others within the permitted class. In the event that no beneficiary was named by the insured, or if one had been designated but had died before the insured, or if he had named a person not within the permitted the class, the laws of descent and distribution of the State of legal residence of the insured governs as to succeeding beneficiaries restricted to the class of beneficiaries named in the war risk insurance act.

If the insured sustained a disability of a total and permanent degree the law provides that he receive payment of insurance from the date of such disability, irrespective of whether or not he had been discharged from the service. Upon the death of the insured, or upon his permanent and total disability, insurance is payable. For a \$10,000 policy, \$57.50 is payable each month for a period of 240 months. The total value of the policy at the end of this time, earning $3\frac{1}{2}$ per cent interest, as specified by the act, would amount to \$13,800. In case the insured is totally and permanently disabled, monthly payments are made throughout his lifetime.

AUTOMATIC INSURANCE.

Article IV of the war-risk insurance act of October 6, 1917, made provision also for automatic insurance.

Automatic insurance is just what the term implies. War was declared on April 6, 1917, but the terms of the contract insurance provided for in the war-risk insurance act were not published until October 17, 1917, about a fortnight after the passage of the legislation. A substantial number of men in the service since the declaration of war had already died or had become totally and permanently disabled. Others who were in foreign ports or on the high seas had no notice of this legislation and were not in a position to take advantage of it. The statute, therefore, included provision for these men by automatically insuring them up to February 12, 1918. This insurance protected the soldier against total and permanent disability and death and did not require the payment of any premiums.

The insured was not entitled to name a beneficiary for the automatic insurance. It was payable to him in case of his total and permanent disability, and in the event of death successively to a widow, child, mother, and father.

The amendment of December 24, 1919, to the act of October 6, 1917, provided that any person in the active service on and after April 6, 1917, and before the 11th day of November, 1918, who, while in such active service, and before the expiration of 120 days after entrance into or employment in the active service, becomes or has become totally and permanently disabled, or dies or has died without having applied for insurance, shall be deemed to have applied for and to have been granted insurance payable to such person during his life in monthly installments of \$25.

The amendment of December 24, 1919, also further enlarged the permitted class of beneficiaries for contract insurance, and made specific provisions whereby the Bureau of War Risk Insurance was authorized to convert insurance at the request of the insured along

the lines of policies issued by private insurance companies, and also provided for the usual method of optional settlements.

All awards of insurance are made under the authority granted in Article IV of the war risk insurance act. Payments are made in the event of the death or permanent and total disability of the insured. One hundred and thirty-one thousand four hundred and fifty-two term-insurance claims had been awarded to June 30, 1920. Their commuted value is \$1,169,976,673.48. The beneficiaries of this insurance will receive monthly payments over a period of years. One hundred and five awards were made to the beneficiaries of persons who had converted their term insurance to the United States Government life insurance.

20,522 INSURANCE CLAIMS RECEIVED DURING FISCAL YEAR.

During the year ended June 30, 1920, 20,522 claims for both term and permanent insurance were received; 26,914 claims were allowed, and 1,115 disallowed during the year. The following table shows the comparison of the disposition of all insurance claims received as of June 30, 1919, and as of June 30, 1920:

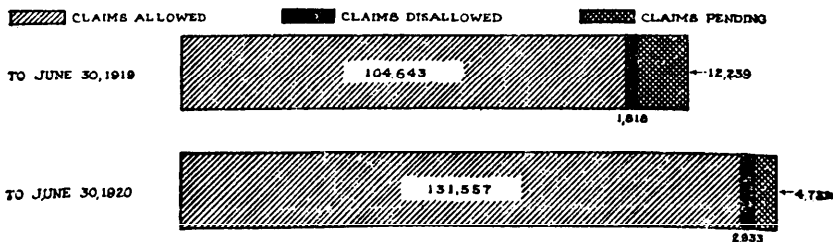
Disposition of term and United States Government life insurance claims received from Oct. 6, 1917, to June 30, 1919, and to June 30, 1920.

Action taken.	Number.		Commuted value.	
	To June 30, 1919.	To June 30, 1920.	To June 30, 1919.	To June 30, 1920.
Term insurance:				
Claims allowed.....	104,643	131,452	\$941,314,211.00	\$1,169,976,673.48
Claims disallowed.....	1,818	2,917		
Claims pending.....	12,239	4,633		
United States Government life insurance:				
Claims allowed.....	0	105	0	378,000.00
Claims disallowed.....	0	16		
Claims pending.....	0	99		
Total.....	118,700	139,222	941,314,211.00	1,170,354,673.48

139,222 INSURANCE CLAIMS RECEIVED TO JUNE 30, 1920.

The total number of insurance claims received from the beginning of the bureau to June 30, 1920, was 139,222. Of this number, 139,002 are war risk term insurance, and 220 are United States Government life insurance claims.

DISPOSITION OF ALL INSURANCE CLAIMS RECEIVED



REASONS FOR PENDING INSURANCE CLAIMS.

It will be noted that there were 4,633 war risk insurance claims and 99 United States Government life insurance claims pending on June 30, 1920. Delays in settlement were due to the following reasons: (1) Beneficiaries live in foreign countries; (2) beneficiaries fail to submit required proof; (3) address of beneficiary unknown; (4) communications unanswered by claimant; (5) legal decisions as to rights of contending beneficiaries.

CLAIMS CLOSED VERSUS CLAIMS ACTIVE.

The total number of insurance claims on which current monthly payments were being made on June 30, 1920, was 129,238, with a commuted value of \$1,150,512,087.48. Of this number, 105 are claims for United States Government life insurance, with a commuted value of \$378,000. Payments have been discontinued on 2,319 term insurance claims.

The following table shows whether or not payments were being made on both death and disability insurance claims allowed to June 30, 1919, and to June 30, 1920:

Analysis of insurance claims allowed to June 30, 1919, and to June 30, 1920.

Nature of claims.	Number.		Commuted value.	
	To June 30, 1919.	To June 30, 1920.	Total to June 30, 1919.	Total to June 30, 1920.
Death claims:				
Active (term).....	103,957	126,345	\$935,957,711.00	\$1,125,561,633.48
Active (United States Government).....		104		376,000.00
Closed (term).....	460	1,851	3,537,500.00	15,880,500.00
Closed (United States Government).....	0	0	0	0
Disability claims:				
Active (term).....	169	2,788	1,431,500.00	24,572,454.00
Active (United States Government).....		1		2,000.00
Closed (term).....	57	468	387,500.00	3,962,086.00
Closed (United States Government).....	0	0	0	0
Total allowed.....	104,643	131,557	941,314,211.00	1,170,354,673.48
Total active.....	104,126	129,238	937,389,211.00	1,150,512,087.48

28,029 INSURANCE CLAIMS ACTED UPON DURING FISCAL YEAR.

During the year ended June 30, 1920, 28,029 insurance claims were acted upon. There were approximately 26,914 claims allowed and 1,115 disallowed.

The following table shows a comparison of the gross number acted upon monthly during the year:

Comparison of the number of insurance claims acted upon monthly, including United States Government life insurance claims, from July, 1919, to June, 1920, inclusive.

Date.	Claims acted upon.		
	Allowed.	Disallowed.	Total.
1919.			
July.....	5,026	0	5,026
August.....	3,430	0	3,430
September.....	2,793	0	2,793
October.....	3,346	0	3,346
November.....	1,744	0	1,744
December.....	1,388	0	1,388
1920.			
January.....	1,674	122	1,796
February.....	1,388	192	1,580
March.....	1,719	270	1,989
April.....	1,518	131	1,649
May.....	1,153	126	1,279
June.....	1,735	274	2,009
Total for year.....	26,914	1,115	28,029
Total to date.....	131,557	2,933	134,490

¹ Adjusted.

ANALYSIS OF RETURNED INSURANCE AWARD CHECKS.

The number of insurance award checks returned to June 30, 1920, was 16,938, aggregating \$1,659,844.47. The principal reasons why checks have been returned are given in the following table:

Analysis of reasons for returning insurance award checks as of June 30, 1920.

Reason.	Number returned to June 30, 1920.
Incorrect address.....	11,476
Payee deceased.....	3,528
Clerical errors.....	571
Overpayment.....	291
Payee remarried.....	200
Duplicate awards.....	81
Wrongly reported dead.....	43
Change of guardian.....	107
Amounts or title questioned.....	137
Miscellaneous.....	504
Total.....	16,938

\$71,802.16 OF INSURANCE AWARD PAYMENTS REFUNDED TO JUNE 30, 1920.

The amount of cash refunded because of overpayments of insurance awards was \$71,802.16 to June 30, 1920. This is in addition to the checks returned.

\$51,159.93 REFUNDED DURING FISCAL YEAR.

Fifty-one thousand one hundred and fifty-nine dollars and ninety-three cents was refunded during the year ending June 30, 1920, because of overpayments of insurance awards.

TERM INSURANCE PREMIUMS EXCEED AWARDS \$168,191,160.86.

The total amount received in term insurance premiums as of June 30, 1920, was \$298,756,007.66 (subtracting refunds), and payments of term insurance awards amounted to \$130,564,848.80, leaving a balance of \$168,191,160.86. While this is interesting in relation to the status of the military and naval insurance appropriation and the bureau's insurance operations as of June 30, 1920, it should not be considered apart from the fact that the commuted value or latent liability of all term insurance claims active as of that date was \$1,150,510,087.48.

UNITED STATES GOVERNMENT LIFE INSURANCE PREMIUMS EXCEED AWARDS BY \$10,244,974.18.

Premiums paid on United States Government life insurance policies amounted to \$10,292,842.50 (subtracting refunds) on June 30, 1920, and the amount paid out in awards was \$47,868.32, leaving \$10,244,974.18 available for investment and the payment of claims. The total amount of insurance involved in those claims for United States Government life insurance allowed and active on that date was \$378,000.

TERMINATION ON PAYMENT OF INSURANCE AWARDS.

The following table gives the gross terminated payments from January 1 to June 30, 1920, analyzed as to reasons for termination. While no analysis was kept prior to January 1, 1920, it is believed that this table sufficiently shows why awards were terminated. It should be kept in mind that these cases are all subject to review and reaward, if warranted. The total analyzed is a gross figure, including all cases that have been closed in this period.

Gross number of insurance claims on which payments have been terminated, for the period from Jan. 1 to June 30, 1920, analyzed as to reasons for termination.

Reason.	Number.
Erroneous award.....	43
Payee remarried.....	36
Payee dead.....	1,073
Pending investigation.....	97
Pending adjustment.....	35
Misconduct of payee.....	10
Insurance lapsed.....	2
Marriage illegal.....	2
Miscellaneous.....	48
Total from Jan. 1 to June 30, 1920.....	1,346
Total to date.....	2,319

ANALYSIS OF DISALLOWED INSURANCE CLAIMS.

To June 30, 1920, 2,933 insurance claims had been disallowed. The gross claims disallowed from January 1 to July 1, 1920, have been analyzed as to reasons for disallowance and are given in the table below. As stated in the analysis of terminated payments above, it is believed that the data here given is sufficient to show why claims were disallowed.

Gross number of disallowed insurance claims for the period from Jan. 1 to June 30, 1920, analyzed as to reasons for termination.

Reason.	Number.
Insurance lapsed	834
Insurance canceled	139
Can not locate claimant	62
No relative in permitted class	88
Never in service	3
Dishonorable discharge	6
Disability not permanent and total	11
No claim made	12
Not not dead	8
Miscellaneous	47
Total from Jan. 1 to June 30, 1920.	1,210
Total to date.	2,933

The disposition of insurance-award checks returned to June 30, 1920, is shown in the following table:

Analysis showing disposition of insurance-award checks returned to June 30, 1920.

Disposition.	Returned to June 30, 1920.	
	Number.	Amount.
Canceled	5,541	\$493,764.70
Remailed	10,928	1,079,011.03
Filed	469	87,068.74
Total returned.	16,938	1,659,844.47

INVESTIGATION SECTION.

The investigation section is an adjunct of the compensation and insurance claims division and procures reports and information relative to any matters requiring investigation under the provisions of the war-risk insurance act.

Number of compensation investigations received during fiscal year	59,531
Number of allotment and allowance investigations received during fiscal year	13,041
Number of compensation investigations completed during fiscal year	67,741
Number of allotment and allowance investigations completed during fiscal year	12,524
Number of compensation investigations pending June 30, 1920	2,456
Number of allotment and allowance investigations pending June 30, 1920	517
Total number of investigations (compensation and allotment and allowance) pending June 30, 1920.	2,973

Besides the claims that have been settled and the number of claims that have been received, the general volume of mail during the fiscal year shows that there were received 3,098,117 pieces of mail, and dispatched from the compensation and insurance claims division 3,067,484 pieces of mail. There was on hand June 30, 1920, 25,716 pieces of mail unanswered, which represented about two days' receipts.

Part VIII.

MEDICAL DIVISION.

(Through the Medical Division the bureau maintains contact with the health and welfare of all ex-service men and women suffering from injury or disease resulting from their active military or naval service and has developed a medical practice of 432,609 patients, with 54,779 having received hospital treatment.)

Article III of the war risk insurance act, in addition to making provision for compensation, provides that the United States shall furnish to the injured person such reasonable governmental medical, surgical, and hospital services, and such supplies, including artificial limbs, trusses, and similar appliances, as the Director may determine to be useful and reasonably necessary.

Prior to the signing of the armistice, November 11, 1918, and the general demobilization of the armed forces, very few claims had been submitted to the bureau in which soldiers or sailors claimed compensation by reason of injuries sustained or disease contracted while in the active military or naval service. To properly conduct the medical work incident to the few claims that had then been filed it was necessary to maintain only a very small force.

The few months immediately following the signing of the armistice saw the number of compensation claims filed for disability increase, but in no great number, and it was not until approximately March, 1919, that the bureau began to receive claims of disabled soldiers in large numbers. Having no idea that the soldiers, sailors, and marines would be discharged from the service until they had received the maximum improvement, and therefore requiring little or no additional hospital care and treatment, the bureau found itself in the position of having thousands of disabled soldiers presenting their claims daily and with no general hospitalization program mapped out or plans whereby general physical examinations might be conducted throughout the entire United States to determine the immediate nature and extent of the disability from which the disabled soldier, sailor, or marine might be suffering. No definite schedule of ratings for disabilities had been adopted, nor did the bureau have the services of a medical personnel sufficient to cope with the grave situation.

✓ At the beginning of the present fiscal year these urgent problems were before the medical division. There were approximately 39,000 pending claims of disabled soldiers calling for immediate medical attention. The daily output at the beginning of the fiscal year was approximately 1,000 cases; at the close of the fiscal year the daily output was 5,257 cases per day. There were only 35 medical officers

at the beginning of the fiscal year detailed by the United States Public Health Service to the Bureau of War Risk Insurance to meet and solve the problems. This force was increased to 72 during the fiscal year just closed.

The Surgeon General of the United States Public Health Service acting for and in behalf of the bureau had divided the continental United States into 14 districts and had detailed a medical officer to take charge of and organize each one. As rapidly as these districts were placed upon a working basis the examination of claimants was decentralized to the district supervisors. Each of the district supervisors was furnished a professional and clerical staff and undertook to so organize his district as to have local medical examiners at points convenient to disabled soldiers claiming compensation. To facilitate this work, the director of the bureau appointed a corps of designated medical examiners, of whom at the close of the fiscal year there were 2,471 distributed throughout the United States.

In conformity with the provisions of the war risk insurance act and in order that all claimants might be rated for their disabilities accurately, there was adopted during the present fiscal year a very accurate and complete table of disability ratings. In carrying to successful completion this task the bureau has had the assistance of many of the most prominent physicians and surgeons of the country; and through the courtesy of their respective Governments access was had to the rating tables of Canada, Great Britain, France, and Italy.

ORGANIZATION.

On July 1, 1919, the medical division of the Bureau of War Risk Insurance, after a recent and extensive reorganization, consisted of seven medical sections or units, in addition to the executive office of the chief medical advisor, which last-named officer serves in an advisory capacity to the Director of the Bureau. These seven sections were: (1) General military surgery; (2) internal medicine and dermatology; (3) tuberculosis; (4) eye, ear, nose, throat, and dental; (5) neuro-psychiatry; (6) prosthetics; (7) miscellaneous.

On June 30, 1920, because of the increased volume of work and because of the many new problems which had evolved during the year, the work of the medical division had become further differentiated through the establishment of seven additional sections. These new sections were: (1) Statistical; (2) no record; (3) dental; (4) medical accounts; (5) complaint; (6) medical insurance; (7) foreign relations. The titles of these sections are descriptive of their functions.

With the great increase in the number of applications for reinstatement or conversion of Government insurance, it became necessary to refer reports from the field regarding an applicant's physical condition for a medical opinion as to his acceptability as a risk. These reports of physical examinations were first reviewed by the general medicine section, until the volume of work became so great as seriously to handicap the regular work of that section. The medical insurance section was therefore created for the specific purpose of handling the medical phases of insurance work.

FOREIGN RELATIONS SECTION.

The amendatory act approved December 24, 1919, contained the following provision:

That the Bureau of War Risk Insurance is hereby authorized to furnish transportation, also the medical, surgical, and hospital services and the supplies and appliances provided by subdivision (6) hereof, to discharged members of the military or naval forces of those Governments which have been associated in war with the United States since April 6, 1917, and come within the provisions of laws of such Governments similar to the war risk insurance act, at such rates and under such regulations as the director of the Bureau of War Risk Insurance may prescribe; and the Bureau of War Risk Insurance is hereby authorized to utilize the similar services, supplies, and appliances provided for the discharged members of the military and naval forces of those Governments which have been associated in war with the United States since April 6, 1917, by the laws of such Governments similar to the war risk insurance act, in furnishing the discharged members of the military and naval forces of the United States who live within the territorial limits of such Governments and come within the provisions of subdivision (6) hereof with the services, supplies, and appliances provided for in such subdivision; and any appropriations that have been made or may hereafter be made for the purpose of furnishing the services, supplies, and appliances provided for by subdivision (6) hereof are hereby available for the payment to such Governments or their agencies for the services, supplies, and appliances so furnished at such rates and under such regulations as the director of the Bureau of War Risk Insurance may prescribe.

In consonance with this act, there was immediately established the foreign relations section, whose function was the proper accomplishment of the purpose of this provision. With the establishment of the foreign relations section of the medical division, efforts were instituted to accomplish reciprocal arrangements between the United States Government and the Governments of allied nations in the matter of physical examination, hospitalization, and medical treatment of veterans of allied armies who were living in the United States and veterans of the United States Army who are living in foreign countries.

Up to the end of the fiscal year satisfactory arrangements had been completed with the British colonies, Canada, New Zealand, New Foundland, Nova Scotia, and with England itself acting through the Canadian authorities at Ottawa, Canada. By that same date drafts of a proposed agreement concerning this subject had been submitted through the State Department to the United States ambassador at London for proper transmittal to the Governments of England, France, Italy, Belgium, Portugal, Poland, Roumania, Czechoslovakia, and the Serb, Croate, and Slovene State for their approval.

In the meantime, at the expense of the United States Government, ex-service men of the United States Army and Navy were being treated, largely in private institutions, in the following foreign countries: British American colonies, England, Ireland, Scotland, Wales, Africa, India, British Guiana, West Indies, France, Italy, Belgium, Holland, Denmark, Norway, Sweden, Poland, Rumania, Czechoslovakia, European and Asiatic Turkey, Portugal, Honduras, China, Brazil, Argentina, and Mexico.

HOSPITALIZATION.

The great problem at the beginning of the fiscal year was in providing examinations, medical care, treatment, and hospitalization for beneficiaries under the war risk insurance act. The services and facilities of the United States Public Health Service were utilized to the fullest extent.

At the close of the fiscal year 1919, the United States Public Health Service was operating 20 marine hospitals. In addition, there was maintained a sanitarium at Fort Stanton, N. Mex., for the care and treatment of patients suffering from tuberculosis. During the last three months of that fiscal year, 10 new hospitals, known as Public Health Service hospitals, were opened.

Those included eight United States Army hospitals at Palo Alto, Calif.; Greenville, S. C.; Alexandria, La.; Dansville, N. Y.; Chicago, Ill.; Corpus Christi, Tex.; Jacksonville, Fla.; East Norfolk, Mass.; the United States Army Quartermaster terminal at Norfolk, Va.; and a leased hospital at Washington, D. C. In June, 1920, they were all in use with the exception of the hospital at Jacksonville, Fla.

During the fiscal year a number of additional United States Public Health Service hospitals had opened until the total number of hospitals operated by the United States Public Health Service had increased to 52, representing 11,639 beds, with 1,900 additional beds which would be or could be made available. Of the total of 52 hospitals and 11,639 beds, 7 hospitals with 1,309 beds were available to neuro-psychiatric patients, 8 hospitals with 3,748 beds were available to tubercular patients, and 37 hospitals with 6,582 beds available to general patients.

CONTRACT CIVIL HOSPITALS.

With the commencement of the last fiscal year the marine hospital division of the United States Public Health Service, realizing that the existing available Government hospitals were not going to assure sufficient or proper hospital beds for war risk insurance beneficiaries, canvassed civil institutions throughout the country to determine the number of kind of hospital beds which might be utilized in conjunction with the Government hospitals. By August 15, 1919, a compilation of replies to this questionnaire demonstrated that there were 619 civil hospitals representing 9,208 beds which might be considered available throughout the country. These hospital beds were divided as follows: General cases, 441 hospitals, 5,892 beds; tuberculosis cases, 120 hospitals, 2,243 beds; neuro-psychiatric cases, 58 hospitals, 1,073 beds.

By June 26, 1920, these reported facilities had increased to 1,913 hospitals, representing 26,850 beds. The number of patients in these hospitals on that date was 9,590.

Throughout the year these hospitals had entered contract with the Public Health Service, at certain fixed rates, to treat war risk insurance patients sent them.

CIVIL NONCONTRACT HOSPITALS.

For the first part of the reported fiscal period, a large number of civil institutions were treating war risk insurance patients sent to

them directly by the Bureau of War Risk Insurance and paid directly by that bureau. With the perfection of the district organization and the realization of the plans of the hospital division, these hospitals were gradually taken over as contract hospitals by the United States Public Health Service, and the number of civil noncontract hospitals in June, 1920, treating Bureau of War Risk Insurance patients had diminished to a very small figure, limited largely to a few State sanitariums and State insane hospitals.

PROPOSED UTILIZATION OF OTHER GOVERNMENT HOSPITALS.

During the last part of June, 1920, in accordance with the provisions of the sundry civil act, Public—No. 246—Sixty-sixth Congress (H. R. 13870), approved June 5, 1920, it was proposed to utilize, where feasible, Government hospital facilities of the United States Army, Navy, and National Homes for Volunteer Disabled Soldiers. It was perceived that with the general reduction of the Army and Navy a number of large Government hospitals were not being used to their capacity. If it were possible for the Bureau of War Risk Insurance to make use of these excess facilities, there might result a general withdrawal of patients from civil institutions and the subsequent utilization of Government hospitals. By these means there would result a centralization of patients, and there would be a considerable reduction in number of hospitals used. This procedure would greatly simplify administrative control. Furthermore, by possible standardization of treatment more uniform results might obtain. Certainly with the decrease in hospitals used from more than 1,000 institutions to less than 100 there would result more complete and effective control, both from administrative and technical points of view, with much more satisfaction to the patients.

Under plans agreed upon by the Bureau of War Risk Insurance, the War and Navy Departments, the National Soldiers' Homes, and the Public Health Service, a total of 21,493 hospital beds were made available in Government institutions, including the previously described Public Health Service facilities, for the next fiscal year ending June 30, 1921.

ORGANIZATION IN THE FIELD.

The medical activities of the Bureau of War Risk Insurance throughout the country are a function of the United States Public Health Service, acting under the joint authority of the director, Bureau of War Risk Insurance, and the Surgeon General, United States Public Health Service. In order to better administer the vast system of physical examination and hospital relief incident to the proper accomplishment of the war-risk insurance act, the offices of the 14 district supervisors of the United States Public Health Service were further developed.

With the commencement of the reported fiscal year the district organization was just being realized in its preliminary form. As the year itself progressed, so did the district organization. Contact with the central district office was established throughout the entire district. Suboffices and hospital units were established in a number

of the larger cities. Liaison was accomplished with various national and civic organizations, including the American Red Cross, the American Legion, Veterans of Foreign Wars, and the Knights of Columbus, Elks, etc., in order to better maintain contact with ex-service men desiring or needing medical care. Within the district offices procedures were becoming standardized to the benefit of all concerned.

With the improvement in organization there coincided an increase in medical facilities, particularly an increase in number of physicians available for Bureau of War Risk Insurance work. Throughout the entire country a large number of physicians were either commissioned in the reserve corps of the Public Health Service and assigned to active duty or were made acting assistant surgeons on part or whole time, or became consulting specialists on a fee basis. In addition to these, upon recommendation of the hospital division, United States Public Health Service, a large number of physicians were appointed by the Director of the Bureau of War Risk Insurance as designated medical examiners. These examiners physically examined all men sent to them under proper authority and were paid on a fee basis by the Bureau of War Risk Insurance for the performance of their duty.

The following table shows the distribution as of about June 30, 1920, of all medical officers and private physicians working in whole or part time on behalf of the war risk insurance beneficiaries, not including 72 medical officers of the Public Health Service assigned to the Bureau of War Risk Insurance:

Medical officers and private physicians working on behalf of Bureau of War Risk Insurance beneficiaries, classified by designation and distributed by United States Public Health Service district.

District No.	Commissioned officers.	Acting assistant surgeons.	Attending specialists.	Internes.	Designated examiners.	Total.
1.....	29	63	82	1	67	242
2.....	58	173	71	15	87	404
3.....	26	40	25	0	121	212
4.....	67	69	47	4	138	325
5.....	50	91	159	4	260	564
6.....	33	60	33	0	214	340
7.....	15	74	119	1	267	476
8.....	29	147	105	8	188	477
9.....	30	62	68	0	275	435
10.....	10	34	52	0	232	328
11.....	22	51	42	0	166	281
12.....	62	34	10	0	59	165
13.....	13	33	19	0	93	158
14.....	30	16	43	0	277	366
15 (Philippine Islands).....	1	7	0	0	27	35
16 (Porto Rico).....	1	2	1	0	0	4
17 (Hawaii).....	1	0	1	0	0	2
18 (Virgin Islands).....	1	0	0	0	0	1
Total.....	478	956	877	33	2,471	4,815

Revised Circular 140, Treasury Department, dated May 14, 1920, coordinated the activities of the District Supervisors under the jurisdiction of the Director, Bureau of War Risk Insurance, and the Surgeon General, United States Public Health Service.

By the provisions of paragraph IV of this circular the Bureau of War Risk Insurance is held responsible for the determination of: (a) The eligibility of patients of the Bureau of War Risk Insurance to compensation and treatment; (b) the service origin or aggravation, nature, and degree of disability of their injuries or diseases; (c) their reference for treatment; and (d) the payment of all bills incident to the discharge of the above-mentioned functions.

The United States Public Health Service is held responsible for furnishing medical, surgical, and hospital services and supplies, including prosthetic apparatus, to such patients of the Bureau of War Risk Insurance as might be referred to it for the same, and the payment of all bills incident to the discharge of these functions.

Paragraph V stipulated in part that the district supervisors and their subordinate personnel should be held to be field representatives of the director of the Bureau of War Risk Insurance and the Surgeon General of the United States Public Health Service. District supervisors were instructed to carry on their operations under the joint direction of the chief medical advisor and the chief of the hospital division, United States Public Health Service, for the purpose of carrying out the provisions of paragraph IV, previously described, under regulations and rules conjointly prepared and approved by the director of the Bureau of War Risk Insurance and the Surgeon General of the United States Public Health Service. It was further provided that in each district there should be a district examiner and a district relief officer, under the jurisdiction of the district supervisor, for the purpose of carrying out the provisions of paragraph IV. It was further stipulated that the director of the Bureau of War Risk Insurance and the Surgeon General of the United States Public Health Service should take immediate steps looking to the housing of each district supervisor and the field representatives of the Bureau of War Risk Insurance in the same building with a conjoint central information bureau.

1,088,201 CASES ACTED UPON BY THE MEDICAL DIVISION.

During the fiscal year ended June 30, 1920, the number of actions taken on compensation cases by the medical division numbered 1,088,201. Medical ratings, reratings, requests for examination, and hospitalization cases are all included in this number. The same case may have required attention two or more times. During the last quarter, for example, in which 397,570 cases were passed upon, the number which came to the attention of the medical division for the first time was but 93,898. There are 10 sections in the medical division to which cases are referred for action. They are: (1) Surgical; (2) neuro-psychiatric; (3) general medicine; (4) prosthetics; (5) tuberculosis; (6) eye, ear, nose, and throat; (7) dental; (8) foreign relations; (9) special; and (10) miscellaneous and "no record." The following table shows the total number of cases acted upon by the various sections during each quarter of the fiscal year.

Statement showing number of cases acted upon by medical section quarterly during the fiscal year ended June 30, 1920.

Name of section.	Number of cases acted upon.				
	First quarter.	Second quarter.	Third quarter.	Fourth quarter.	Total for fiscal year.
Surgical	56,689	67,725	86,092	109,168	319,674
Neuro-psychiatric	22,863	27,276	36,393	54,813	141,345
General medicine	37,507	47,169	57,338	90,075	232,689
Prosthetics	7,126	8,259	6,853	6,421	28,659
Tuberculosis	23,115	24,385	45,150	56,347	148,997
Eye, ear, nose, and throat	18,391	34,675	40,291	54,143	147,500
No record and miscellaneous	19,573	5,712	2,289		27,574
Dental			3,851	19,964	23,815
Foreign relations			1,662	4,220	5,882
Special	10,247			1,819	12,066
Total	195,511	215,201	279,919	397,570	1,088,201

APPROXIMATELY 430,000 CASES REFERRED TO DISTRICT EXAMINERS DURING YEAR.

The records of the medical division show the exact number of claimants' cases referred to the United States Public Health Service district medical examiners during all except the first quarter of the fiscal year ended June 30, 1920. On that basis it is conservatively estimated that approximately 430,000 cases were referred out for examination and report during the year.

38,489 HOSPITAL BEDS AVAILABLE ON JUNE 30, 1920.

There were, in all, 38,489 hospital beds available for War Risk Insurance Bureau patients on June 30, 1920. Of this number, 11,639 were in hospitals of the United States Public Health Service and 26,850 in private or contract hospitals. This figure represents in large part the response to appeals addressed to private hospitals asking their assistance in providing temporary hospital facilities to relieve present emergency conditions.

ANALYSIS OF GENERAL CLASSES OF DISEASES TREATED IN HOSPITALS.

On June 30, 1920, there were in United States Public Health Service hospitals 2,467 tuberculosis patients, 1,660 neuro-psychiatric, and 3,754 patients grouped under the classification of general medicine; and in private hospitals 3,551 tuberculosis, 3,382 neuro-psychiatric, and 2,657 general medicine patients.

48,983 PATIENTS ADMITTED TO HOSPITALS DURING YEAR.

There were 48,983 War Risk Insurance Bureau patients admitted to all hospitals during the fiscal year ended June 30, 1920. Twenty-four per cent of this number, or 11,819, were admitted because of tuberculosis; 12 per cent, or 5,707, because of diseases of the digestive system; and 11 per cent, or 5,203, because of diseases of the mind.

The number of patients admitted to hospitals each quarter during the year, by principal diseases, is shown in the following table:

Classification of admissions to hospitals, by classes of diseases, quarterly, during the fiscal year ended June 30, 1920.

Class of disease.	Number of patients admitted to hospitals.				
	First quarter.	Second quarter.	Third quarter.	Fourth quarter.	Total.
Abnormalities and congenital malformations.....	9	17	6	10	42
Diseases of the blood.....	11	8	15	15	49
Diseases of the bones and cartilages.....	75	140	87	182	484
Diseases of the bursae.....	4	7	3	17	31
Diseases of the circulatory system.....	425	447	335	785	1,992
Diseases of the digestive system.....	955	1,192	1,002	2,558	5,707
Diseases of the ductless glands and spleen.....	64	88	61	109	322
Diseases of the ear.....	200	281	117	426	1,033
Diseases of the eye and annexa.....	183	208	195	392	978
Hernia.....	275	350	308	614	1,547
Communicable diseases.....	363	660	473	895	2,391
Tuberculosis.....	2,249	2,834	2,437	4,299	11,819
Injuries.....	783	1,263	620	1,160	3,826
Diseases of the joints.....	324	397	293	588	1,602
Diseases of the lymphatic system.....	21	20	27	45	113
Diseases of the mind.....	1,031	1,744	1,023	1,405	5,203
Diseases, miscellaneous, and conditions.....	356	450	393	727	1,926
Diseases of the muscles, etc.....	20	45	26	67	158
Diseases of the nervous system.....	529	690	406	967	2,592
Parasites.....	59	81	60	85	285
Poisonings and intoxications.....	42	63	23	53	181
Diseases of the reproductive organs.....	155	175	117	365	812
Diseases of the respiratory system.....	855	1,059	810	1,641	4,365
Diseases of the skin, hair, etc.....	52	91	44	116	303
Tumors.....	25	37	30	100	192
Diseases of the urinary organs.....	195	236	186	413	1,030
Total.....	9,269	12,583	9,097	18,034	48,983

The work of the medical division possesses the greatest study for medical and scientific research in the world, and detailed consideration is being given to making the statistics obtained of the greatest possible use to the medical world.

MEDICAL RELIEF ROOM FOR WAR RISK EMPLOYEES.

On October 27, 1919, the Bureau of War Risk Insurance Employees' Medical Relief Room Service was placed under the control and supervision of the chief medical adviser, and an officer of the medical division was assigned to duty as physician in charge. At approximately that same time there was established a sanitary inspection service, under the direction of a sanitary officer, whose functions were to prevent the spread of communicable and contagious diseases among employees of the bureau, to make sanitary inspections of the bureau, and to render hygienic and sanitary advice.

Part IX.

LEGAL DIVISION.

Hardly had the bureau been organized into its various divisions when it became apparent that the legal division of the bureau in charge of a general counsel would play a most important part in shaping its progress and destiny. It was imperatively necessary that regulations be immediately promulgated to comply with the various provisions of the war risk insurance act authorizing such regulations, regulations bearing on detailed matters and questions of policy which obviously could not have been included in the statute itself. With the first batch of mail came numerous applications for exemption from compulsory allotment under Article II of the act. Such claims for exemption had to be handled exclusively by a section of the legal division known as the exemption section. These claims had to be acted on promptly in view of the fact that in many instances a manifest injustice would have been done had the bureau continued to deduct from the enlisted man's pay an allotment for a wife where the circumstances indicated that he was under no obligation, legally or morally, to support her. The nature of the proof required in many instances was so delicate as to necessitate the closest thought and consideration by those responsible for the adjudication of these cases. This work increased proportionately with the increase of the Army and Navy and carried with it new problems to be faced each day.

In addition to the exemption claims, thousands of regular allotment applications were on hand and thousands were pouring in daily. Questions immediately arose as to the persons entitled to receive the allotments—were they entitled to allowances, also were they within the permitted class? These and numerous other kindred problems had to be solved immediately so as to avoid any possible distress which the slightest delay might have caused.

In due course of time, after actual hostilities had commenced, men were being killed in the service and a number of others were being discharged on account of disability. This situation called for an interpretation of Article III of the act, with its numerous sections involving payment of compensation for death and disability. The most foresighted person could not have anticipated the numerous questions which were eventually submitted to the legal division for final determination.

Coincident with the influx of claims for compensation on account of disability and death came claims for insurance under Article IV. At the outset only automatic insurance was involved, but soon questions arose as to the payment of contract insurance for which the enlisted persons had applied while in the service. This question car-

ried with it the consideration of premiums and the lapsation of policies.

Upon the passage of the act of December 24, 1919, which was so broad in its scope that it involved changes in almost every phase of the statute, came new and serious problems. Certain rights had already been vested and numerous awards had already been made by the bureau in accordance with the provisions of the act as it existed prior to that date. On the one hand the Director had before him the text of the war risk insurance act and its amendments, which could only have been interpreted in accordance with the legal rules of statutory interpretation. On the other hand, claimants were constantly at the doors of the bureau, all of them with worthy claims warranting recognition. It was necessary to construe the terms of the act, keeping constantly in mind the beneficial nature for which it was passed and yet always realizing that certain legal rules limited the bureau in carrying out its beneficent purposes. Through the various contending, and oftentimes opposing influences, law and policy had to be laid down in order to properly administer and carry into effect the provisions of the statute.

Subsequently, upon the demobilization of the troops, the matter of converted insurance required attention. The legal division co-operated with the insurance division and helped materially in the establishing of what rapidly became the largest life insurance institution in the world. Many of the men discharged from the service had permitted their insurance to lapse, and immediate steps had to be taken to establish a most liberal policy in order to enable them to re-instate the insurance and, if desired, to convert the same into some permanent form.

All through the life of the bureau, from its inception, the general counsel in charge of the legal division has always been an important factor in advising the Director on questions of policy and in the preparation of regulations with the thought ever apparent that such policy warranted the utmost liberality consistent with the terms of the act.

The opinions submitted by the legal division have involved every section of the bureau, and its function has required the interpretation of numerous Federal statutes as well as the statutes of every State in the Union, going so far as to necessitate the interpretation of the laws and statutes of foreign countries. Not only has it concerned itself with statutes but it has also been called upon to apply the rules of the common law prevailing in a number of jurisdictions.

The legal division has, because of the different classes of work which came to it, been divided into the following sections:

1. Office of the general counsel.
2. Exemption section.
3. Section of prosecutions.
4. Subrogation section.
5. Precedent and codification section.

OFFICE OF THE GENERAL COUNSEL.

The office of the general counsel exercises a general supervision over the work of the other sections and advises these sections on questions of law whenever new problems arise. Its personnel con-

sists of the general counsel, a staff of attorneys designated as associate counsel, and a board of review composed of three associate counsel. To the office of the general counsel are referred all requests for opinions received from the other divisions of the bureau and from all persons who are affected by the provisions of the war risk insurance act. During the present fiscal year the act of December 24, 1919, became law, and of necessity the many changes in the law made by this act have brought up hundreds of new points for decision. The following is a record of the matters disposed of by the office of the general counsel during the present fiscal year:

General submissions pending July 1, 1919	110
General submissions received during the fiscal year	1,824
General submissions disposed of during fiscal year	1,925
General submissions on hand June 30, 1920	9
Compensation and claims cases on hand July 1, 1919	353
Compensation and claims cases received during the fiscal year	5,589
Compensation and claims cases disposed of during the fiscal year	5,726
Compensation and claims cases on hand June 30, 1920	216
Correspondence:	
On hand July 1, 1919	2,938
Received	228,873
Letters written	237,717
On hand June 30, 1920	450

EXEMPTION SECTION.

This section deals with claims for exemption from compulsory allotment made by the enlisted man or implied from the facts of the case. The implied claims are those in which the enlisted man originally stated that he did not have a wife or child and in which a claim is subsequently received from a person on whose behalf a compulsory allotment should have been made. These are the so-called "None" cases. There has been a steady flow of cases into the exemption section, due in part to the large number of reenlistments. There are also a number of "rehearing" cases because of applications for rehearings made by men after their discharge from the service. The following is a detailed statement of the work done by this section during the current fiscal year:

Exemption cases.

Decisions:	
Original pending July 1, 1919	3,431
Received to date	11,747
Total	15,178
Decided	13,581
Balance on hand	1,597
NOTE.—"None" cases are included in the above; 1,501 of these cases were decided during the year, leaving a balance of 443.	
Rehearings pending July 1, 1919	483
Received to date	7,327
Total	7,810
Decided	7,455
Balance on hand	355
Finished cases returned to allotment and allowance files	89,733

Correspondence:

On hand July 1, 1919.....	2, 687
Received.....	104, 935
Total.....	107, 622
Letters written.....	108, 065
On hand June 30, 1920.....	260

SECTION OF PROSECUTIONS.

The section of prosecutions has jurisdiction over all cases before the bureau in which it appears that there has been a violation of law with the exception of cases involving forgery. When cases are received in this section the necessary evidence is secured and, if prosecution is warranted, a brief of evidence, together with photostatic copies of all documentary evidence of apparent value, is forwarded to the Department of Justice. If the Department of Justice desires further investigation, this is made by the investigation section under the supervision of the section of prosecutions. In any cases where it appears that prosecution is not advisable, the file is returned to the division which forwarded it. While the work of making recoveries of money was transferred to the receipt and disbursement division in April of 1919, this section, although not attempting to make recoveries, received during the year the sum of \$12,888.43 in cases which were being handled by this section and the Department of Justice.

During the year the section of prosecutions disposed of the following matters:

Cases considered.....	4, 426
Cases submitted to Department of Justice.....	1, 368
Cases pending June 30, 1920.....	280

Disposition of cases forwarded to Department of Justice:

Prosecution not advisable.....	145
Defendant dead or can not be located.....	26
Whole or partial refund made by defendant.....	55
Prosecution considered advisable by Department of Justice.....	174
No report yet received.....	968

Total..... 1, 368

In those cases in which prosecution was considered advisable by the Department of Justice the following results have been obtained:

Convictions.....	46
Acquitted after trial.....	7
Indictment ignored by grand jury.....	15
Indictment, trial pending.....	13
Not yet reported.....	93
Total.....	174

SUBROGATION SECTION.

This section has charge of cases and questions arising by virtue of the provisions of section 313 of the act which provides that if death or an injury for which compensation is payable is caused under circumstances creating a legal liability upon some person other than the United States or the enemy to pay damage therefor, the Director, as

a condition to payment of compensation, may require the beneficiary to assign to the United States any right of action he may have. During the fiscal year this section received 435 cases for attention and made final disposition of 558. The total recoveries and judgments amounted to \$101,976.40. The section had 582 cases pending at the end of the fiscal year. Settlements made by persons entitled to compensation amount to \$17,889. These settlements were made in 24 cases, and the compensation and claims division is deducting the net amount of the recovery in each case from future payments of compensation. Settlements totaling \$121,565.71 have been made in 89 cases by persons who have not as yet claimed compensation, but who may hereafter be entitled thereto. Provision has been made to deduct these amounts from any future awards of compensation.

There have been 40 cases in which recovery has been made on account of the death or injury of a person where a claim for compensation might have been made, but where the persons in interest elected to retain the recovery rather than to claim compensation. The amount recovered in these 40 cases totaled \$103,529.79.

PRECEDENT AND CODIFICATION SECTION.

This section collects and indexes all material which may serve as precedents in the interpretation of the act or which may have a bearing on questions which may arise. The precedent files contain thousands of opinions of the legal division, duly indexed and filed under appropriate headings. The section secures opinions of the Attorney General and Comptroller of the Treasury, the Judge Advocates General of the Army and Navy, and files them for reference.

Part X.

FINANCE AND ADMINISTRATION DIVISION.

FINANCE DIVISION.

The functions of the finance division are the administrative examinations, the recording, and advising upon expenditures chargeable to the following appropriations and trust funds administered by the Bureau of War Risk Insurance:

- Losses on American vessels, their cargoes, etc.
- Military and naval family allowance.
- Military and naval insurance.
- Military and naval compensation.
- Salaries and expenses, Bureau of War Risk Insurance.
- Army allotment trust fund.
- Navy allotment trust fund.
- Marine Corps allotment trust fund.
- Coast Guard allotment trust fund.
- United States Government life insurance fund.
- School-teachers' retirement fund.

Over 85 per cent of the personnel of this division is engaged on work in connection with the auditing, recording, and analysis of miscellaneous expenditures, voucher forms being used for payments of this character. To cope effectively with the tremendous increase in this class of expenditure during the fiscal year 1920, a complete reorganization of the division was necessary, a new system of account keeping was installed, and, as a protection against duplication of payments covering traveling expenses, a system of checking travel vouchers against transportation requests was inaugurated. More than a quarter of a million transportation requests were honored by railroad companies during the year, an increase of approximately 200 per cent over the fiscal year 1919.

In January, 1920, the division took entire charge of the handling of meal requests, which are used by war risk beneficiaries for both meals and lodging while traveling, and to the end of the fiscal year over 50,000 of these requests were approved for payment.

The pay records for the entire bureau are kept in the finance division, all changes in status and salary being recorded and pay rolls prepared therein.

The expenditures of the Bureau for salaries and expenses are made on a budget basis. The following tabulation shows the expenditures of the various divisions for the fiscal year June 30, 1919, to June 30, 1920. To the total amount \$15,184,089.23 should be added \$531,227.70, which latter amount was unexpended from unused appropriations for fiscal years 1918 and 1919.

Division.	1919						1920						Annual allotment.
	July.	August.	September.	October.	November.	December.	January.	February.	March.	April.	May.	June.	
Accounting.....	\$232,177.67	\$18,829.12	\$857.75	\$1,283.16	\$15.34	\$1,574.94	\$43,999.85	\$20,901.34	\$70,488.32	\$2,421.92	\$3,827.97	\$1,842.98	\$413,497.60
Actuarial.....	55,350.45	64,323.47	59,332.11	50,780.59	51,216.87	47,028.37	54,999.85	20,901.34	70,488.32	2,421.92	3,827.97	1,842.98	471,514.24
Administrative.....	63,083.84	36,076.66	37,977.21	40,258.70	37,674.16	38,622.05	54,440.72	24,682.87	78,925.49	51,362.78	47,670.96	44,517.58	553,293.02
Allotment and allowance.....	243,024.33	283,484.90	421,498.75	375,524.47	316,142.95	238,131.47	200,090.01	77,490.14	212,591.68	121,805.63	100,139.65	84,072.95	2,673,996.83
Bookkeeping.....	4,729.66	12,763.58	17.40	87.26	253.23	7.81	25,576.84	14,245.58	35,516.14	22,515.17	23,057.05	22,105.95	17,372.38
Chief clerk.....	1,768.27	26,589.98	27,399.74	37,001.44	35,356.98	25,116.16	25,576.84	14,245.58	35,516.14	22,515.17	23,057.05	22,105.95	296,249.30
Compensation and claims.....	124,294.65	156,626.04	169,883.73	183,373.93	181,851.94	164,009.20	154,473.78	77,097.45	244,112.97	171,501.76	177,105.96	176,734.33	1,981,065.74
Payroll.....	83.28	2,269.34	4,675.06	4,581.57	5,082.13	5,807.57	3,723.61	2,824.49	4,455.40	1,398.31	858.33	.....	35,759.09
Director's office.....	32,522.35	30,376.03	21,010.31	8,402.60	8,524.42	12,160.49	26,800.04	9,034.54	17,093.50	11,922.45	16,470.85	12,449.93	206,767.61
Disbursing (receipts and disbursements).....	83,049.48	90,451.43	93,327.92	107,634.69	291,416.27	147,901.94	140,492.95	105,909.39	111,591.66	72,224.06	73,307.02	61,291.48	1,378,598.29
Enemy alien.....	.....	.....	.....	6.78	.....	.....	.....	.....	.....	.....	.....	.....	6.78
Field investigation.....	13,360.43	26,613.64	26,265.28	38,877.38	50,790.50	31,272.95	32,822.25	35,491.89	55,497.36	43,585.02	51,700.94	45,938.84	453,216.49
Finance.....	.....	.....	.....	12,873.79	13,379.50	13,918.12	15,841.93	8,619.63	24,602.85	16,844.44	18,584.25	19,809.00	144,473.51
Insurance.....	480,055.25	516,903.39	460,897.54	505,484.01	474,525.37	409,517.22	379,739.38	198,565.02	554,379.84	396,835.78	385,883.45	363,654.70	5,124,440.95
Legal.....	44,240.59	42,625.81	43,948.88	43,843.32	44,162.16	38,274.63	37,283.94	16,845.08	51,018.78	24,647.74	22,658.73	20,875.86	430,416.52
Liaison.....	.....	.....	.....	1,408.72	8,074.72	7,574.57	8,205.72	10,088.92	14,912.35	25,840.87	18,057.03	30,081.89	124,259.79
Marine.....	617.38	788.75	652.41	609.30	915.65	1,050.21	845.99	582.11	1,557.59	710.23	1,077.30	584.69	8,991.61
Medical.....	20,581.24	31,218.42	44,131.51	39,019.45	41,479.76	37,705.28	41,033.61	22,785.94	65,204.18	45,927.48	49,163.18	51,493.14	488,833.19
Personnel.....	17,609.26	18,223.45	19,522.77	21,791.51	23,417.71	24,262.60	21,564.84	10,516.02	28,175.68	17,343.34	16,406.79	17,479.08	235,413.05
Seamen.....	687.62	638.65	528.54	645.83	675.65	826.54	667.68	402.00	1,075.13	508.31	792.54	348.11	7,924.60
Stock.....	155.81	5,159.92	5,259.09	4,897.70	21,420.48	6,985.77	6,238.09	5,489.69	3,156.11	59,921.86	6,315.45	10,852.85	129,221.92
Undistributed.....	.....	16.68	.....	84.46	32.14	1,450.60	1,007.06	.....	119.72	1,007.06	42.90	30.13	1,776.63
Total.....	1,412,661.90	1,521,945.34	1,448,236.68	1,475,820.48	1,612,213.28	1,250,097.47	1,192,841.98	642,672.10	1,574,474.75	1,088,344.21	1,000,617.55	964,163.49	15,184,089.23

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DIRECTOR OF THE BUREAU OF WAR RISK INSURANCE

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DIRECTOR OF THE BUREAU OF WAR RISK INSURANCE.

Personnel.....	662	662	662	662	662	662	662	662	662	662	662	662	7,944
Receipts and disbursements.....	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	25,800
Total.....	41,674	41,666	41,666	41,666	41,666	41,666	41,665	41,666	41,666	41,666	41,666	41,666	500,000
Furniture, equipment, and supplies:													
Administration.....	842	842	842	842	842	842	842	842	842	842	842	842	10,104
Allotment and allowance.....	212	212	212	212	212	212	212	212	212	212	212	212	2,544
Chief clerk's.....	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	14,604
Compensation and insurance claims.....	158	158	158	158	158	158	1,217	158	158	158	158	158	1,896
Director's office.....	272	272	272	272	272	272	272	272	272	272	272	272	3,264
Finance.....	118	118	118	118	118	118	118	118	118	118	118	118	1,416
Insurance.....	11,422	11,422	11,422	11,422	11,422	11,422	11,422	11,422	11,422	11,422	11,422	11,422	137,064
Legal.....	12	8	8	8	8	8	8	8	8	8	8	8	100
Marine and seamen.....	11	7	7	7	7	7	7	7	7	7	7	7	88
Medical.....	63	63	63	63	63	63	63	63	63	63	63	63	756
Personnel.....	73	73	73	73	73	73	73	73	73	73	73	73	876
Receipts and disbursements.....	2,143	2,143	2,143	2,143	2,143	2,143	2,143	2,143	2,143	2,143	2,143	2,143	25,716
Special fund.....	131	131	131	131	131	131	131	181	131	131	131	131	1,572
Total.....	16,674	16,666	16,666	16,666	16,666	16,666	16,666	16,666	16,666	16,666	16,666	16,666	200,000
Printing and binding:													
Administration.....	1,533	1,533	1,533	1,533	1,533	1,533	1,533	1,533	1,533	1,533	1,533	1,533	18,396
Allotment and allowance.....	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	16,716
Chief clerk's.....	6,419	6,419	6,419	6,419	6,419	6,419	6,419	6,419	6,419	6,419	6,419	6,419	77,028
Compensation and insurance claims.....	4,956	4,956	4,956	4,956	4,956	4,956	4,956	4,956	4,956	4,956	4,956	4,956	59,472
Director's office.....	3,573	3,573	3,573	3,573	3,573	3,573	3,573	3,573	3,573	3,573	3,573	3,573	42,876
Finance.....	1,733	1,733	1,733	1,733	1,733	1,733	1,733	1,733	1,733	1,733	1,733	1,733	20,796
Insurance.....	22,761	22,761	22,761	22,761	22,761	22,761	22,761	22,761	22,761	22,761	22,761	22,761	273,132
Liaison.....	2,529	2,529	2,529	2,529	2,529	2,529	2,529	2,529	2,529	2,529	2,529	2,529	30,348
Marine and seamen.....	13	9	9	9	9	9	9	9	9	9	9	9	112
Medical.....	335	335	335	335	335	335	335	335	335	335	335	335	4,020
Receipts and disbursements.....	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	16,104
Total.....	46,587	46,583	46,583	46,583	46,583	46,583	46,583	46,583	46,583	46,583	46,583	46,583	559,000
Miscellaneous expenses:													
Administration.....	181	181	181	181	181	181	181	181	181	181	181	181	2,172
Allotment and allowance.....	291	291	291	291	291	291	291	291	291	291	291	291	3,492
Chief clerk's.....	331	331	331	331	331	331	331	331	331	331	331	331	3,972
Compensation and insurance claims.....	333	333	333	333	333	333	333	333	333	333	333	333	3,996
Director's office.....	333	333	333	333	333	333	333	333	333	333	333	333	3,996
Finance.....	55	55	55	55	55	55	55	55	55	55	55	55	660
Insurance.....	543	543	543	543	543	543	543	543	543	543	543	543	6,516
Legal.....	210	210	210	210	210	210	210	210	210	210	210	210	2,520
Liaison.....	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Marine and seamen.....	18	18	18	18	18	18	18	18	18	18	18	18	216
Medical.....	272	272	272	272	272	272	272	272	272	272	272	272	3,264
Personnel.....	277	277	277	277	277	277	277	277	277	277	277	277	3,324

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Insurance.....	378,116	351,658	334,730	328,809	328,809	328,809	328,809	328,809	328,809	328,809	328,809	328,809	4,023,785
Legal.....	19,876	17,922	15,889	15,184	15,184	15,184	15,184	15,184	15,184	15,184	15,185	15,184	190,342
Liaison.....	11,515	10,857	10,511	10,511	10,511	10,511	10,511	10,511	10,511	10,511	10,511	10,511	127,482
Marine and seamen.....	1,347	939	939	939	939	939	939	939	939	939	939	939	11,676
Medical.....	42,046	39,761	36,979	34,070	34,070	34,070	34,070	34,070	34,070	34,070	34,070	34,070	425,416
Personnel.....	15,250	13,005	13,005	13,005	13,005	13,005	13,005	13,005	13,005	13,005	13,005	13,005	158,305
Receipts and disbursements.....	68,602	64,228	59,033	54,988	54,988	54,988	54,988	54,988	54,988	54,988	54,988	54,988	686,755
Special fund.....	6,016	6,008	6,008	6,008	6,007	6,007	6,007	6,008	6,008	6,008	6,008	6,008	72,101
Grand total.....	982,177	925,839	869,013	838,598	838,596	838,596	838,596	838,597	838,597	838,597	838,597	838,597	10,324,400

In order to have a complete record of the receipt and disposition of every voucher, a card record system was installed in December, 1919. Under this system a card giving particulars of amount, payee, service, etc., is prepared in triplicate for each voucher received. The first copy, which bears the voucher number, serves as a ledger card, thus obviating the necessity for detailed book entries; the second copy is filed alphabetically according to name of payee; while the third copy, which is retained in the mails and files unit, serves as a tracer in case a voucher becomes misplaced. This system has proven so efficient that despite a very material increase in the number of vouchers (there were 25,108 vouchers disposed of in June, 1920, as compared with 8,393 in June, 1919), the personnel of the division has been increased by less than 25 per cent.

Since July 1, 1919, a supplemental classification of the expenditures from the appropriation "Salaries and expenses" has been maintained, so that figures reflecting the cost of upkeeping of the different divisions of the bureau are always available.

The following is a summary of what has been accomplished by the audit and reviewing force of the division during the year:

Adjusted and new awards examined and approved for payment-----	1,974,580
Miscellaneous vouchers-----	201,386
Meal tickets-----	51,649
Transportation requests audited-----	253,783

In addition, there were 4,400,000 individual payments of regular monthly awards checked and approved for payment in the computing unit.

The records relating to payments covering compensation, care, and treatment of disabled veterans of the military and naval forces is given in the following table, showing an analysis of the expenditures from the appropriation "Military and naval compensation" during the fiscal year:

Regular awards:	
Death-----	\$15,932,803.61
Disability-----	84,414,639.84
Miscellaneous:	
Accrued awards-----	66,761.22
Transportation-----	558,262.72
Traveling expenses-----	105,458.17
Burial awards-----	558,189.53
Hospital services-----	585,898.18
Physical examination-----	273,835.61
Medical and surgical-----	255,266.00
Supplies-----	357,841.57
Subrogation-----	27.95
Suspended items-----	13,729.92
Total-----	103,122,714.92

RECEIPTS AND DISBURSEMENTS SECTION.

The work of the receipts and disbursements section consists of the payment of all money by the United States on account of the beneficiaries of the Bureau of War Risk Insurance and on account of administrative expenses of the bureau (with the exception of a few cases which are forwarded through the office of the Treasury Department for direct settlement), the receiving of all money due

the Government on account of the Bureau of War Risk Insurance (with the exception of premium receipts, which are handled by the insurance division), and the maintaining and rendering of accounts of all such disbursements and receipts.

One great problem affecting the bureau from a disbursement point of view was the protection that should be afforded blank checks in order that every check might be properly accounted for. A system has been installed during the present year for the protection of all blank checks, and no loss by reason of unaccounted-for checks has occurred during the fiscal year.

Many labor-saving devices have been installed, including an automatic "Signograph" machine, which was devised by an employee of the receipts and disbursements section by means of which one person can sign 15 checks at once and issue 6,000 checks per hour. By reason of the installation of addressograph equipment there has been a material reduction in personnel, with a consequent lowering of the cost of check production. There have been issued during the year 5,641,831 checks, representing an expenditure of \$288,661,877.22. Miscellaneous disbursements made in payment of all administrative expenses of the bureau, all payments on account of Government insurance, and all other payments incident to the work of the bureau, representing a total number of 434,000 checks and amounting to approximately \$33,000,000, have been issued by this division during the fiscal year. Among improvements made in the accounting system were vouchers for regular payments of allotments, allowances, compensation, and insurance. A system has been installed during the fiscal year whereby vouchers are mechanically made, resulting in a saving of \$10,000 per annum in labor and material.

ADMINISTRATION SECTION.

The year ending June 30, 1920, is the first fiscal year of existence of the administration section. Prior to July 1, 1919, the sections and units now composing this section were scattered throughout the various other divisions of the bureau, and only when the bureau moved into the Arlington Building was it possible to gather the various units and sections into a single organization, thereby preventing duplication of work. The organization of this section has enabled the bureau to handle its "service functions" more economically, particularly as regards time and personnel. There are various sections of the administration section, each separate and distinct in the nature of the work performed.

TRANSLATION SECTION.

The translation section of the bureau was organized in April, 1918, and prior to the organization of the administration section was a part of the allotment and allowance division. During the first months of its existence, one translator and one stenographer were able to care for all the work, which consisted of a few translations in Italian and Spanish. At that time, residents of foreign countries were not aware of the existence of the Bureau of War Risk Insurance. As time went on, the work increased and more help was

required. Eventually, it was necessary to obtain efficient translators of Chinese, Japanese, Bulgarian, Dutch, Arabian, Slovene, Croatian, Serbian, Roumanian, Madeirn, Lithuanian, and Filipino. The Italian mail was always the heaviest. There were 75,000 Italians in the Army and Navy, most of whom made allotments to dependents residing in Italy. The mail from Greece was also of a material amount. At the present time over 40 languages are translated from foreign into English, and letters of reply and bureau forms are translated into approximately 10 different languages. At this time the translation section has the distinction of being the largest translation section in the Government service.

INFORMATION SECTION.

In December, 1917, demands were made upon the bureau by the service men and their beneficiaries in regard to their allotments, allowances, claims, and insurance. At that time the bureau files and records were in 16 different buildings, and in order to obtain this information, it was necessary to dispatch messengers to these different buildings. In the early part of 1918 a special representative from each of the major divisions of the bureau was detailed to a central building, where an information section was established, covering all the activities of the bureau. In February, 1919, when the Arlington Building was completed and the various divisions were consolidated, it was possible to organize the semblance of a real information section. Later, when telephone and telautographic connections with these different divisions were established, it was possible to supply information requested immediately and accurately. The number of information cases during the fiscal year averaged about 1,200 per working day.

REGULATIONS SECTION.

The regulations section was created in November, 1918, as a part of the legal division. At that time its chief function was the general supervision and approval of the issuance of general rules, regulations, forms, form letters, and correspondence; also, in gathering and distributing certain decisions and opinions touching upon the legal phases of the bureau's work. On April 24, 1919, the regulations section, with all its functions, except those dealing with the legal division, was transferred to the administrative section. Since that time an up-to-date file of current and obsolete forms, form letters, general and special orders, bulletins, Treasury decisions, regulations, etc., has been maintained, showing the history of their issuance as well as all changes and amendments.

MAILS SECTION.

From the time the bureau was first organized until February, 1918, the mail section consisted of six clerks, who handled and dispatched all incoming mail to the various divisions according to the addresses

on the envelopes. The mail coming into the bureau averaged 1,000 pieces per day in February, 1918. In March, 1918, the mail section, with a personnel of 24, began opening and classifying all mail addressed to the bureau, which then averaged about 21,000 pieces per day. Until the Bureau of War Risk Insurance was housed in the Arlington Building it was necessary that the incoming mail be distributed to 22 different buildings in which the bureau was situated. The mail section receives all mail for the bureau, including premium remittances, and opens, stamps, reads, analyzes, classifies, numericalizes, sorts, alphabetizes, counts, and dispatches it to the various units, sections, and divisions of the bureau. There are 103 general classifications made of incoming mail. Up to June 30, 1920, 40,000,000 letters had been received by the bureau and 60,000,000 outgoing letters delivered to the post office, making a total of approximately 100,000,000 letters handled by the mail section, and, in addition, approximately 300,000,000 interbureau and interdepartmental communications have been delivered.

DUPLICATION SECTION.

This section is equipped with a rotary mimeograph and multigraph machines, making copies of Treasury decisions, regulations, orders, bulletins, and certain forms for the use of the bureau.

RECORD VERIFICATION SECTION.

This section maintains a liaison with the record offices of the War and Navy Departments for the purpose of securing information regarding the deduction of service premiums, date of discharge, and other information needed to maintain the accuracy of the bureau records as regard to ex-service men. Prior to January, 1919, this work was performed by the various divisions in the bureau. The centralization by channeling of requests for information required of the various service departments through one section in the bureau has undoubtedly reduced the personnel required for the handling of this work and has enabled the bureau to obtain better and more expert service on its request, of which there are between 1,500 and 1,800 daily. Also, by this method of centralization of requests, it has been possible to develop among the various Government service departments with which the bureau deals a better understanding of the requirements of the bureau.

Part XI.

LIAISON DIVISION.

The liaison division of the Bureau of War Risk Insurance was organized to secure contact with former service men and women. After demobilization millions of them lost touch with the War Department, the Navy Department, or the Bureau of War Risk Insurance, and, due to the shifting about that followed their discharge, the correct addresses of upward of one-fourth of the 4,500,000 men who had been insured under the war risk insurance act were not known to the bureau. The liaison division bent its efforts toward finding the former service men and women, wherever they were, in order to acquaint them with their rights and privileges under the war-risk insurance act and its subsequent amendments. It not only endeavored to communicate with them directly by mail, but to all whose addresses are known it has sent out current reports, forms, and bulletins dealing with the subjects of Government insurance, allotment and family allowances, and compensation. It has striven to create a national sentiment to encourage the former service men and women to take advantage of their opportunity to reinstate and convert their lapsed war-time insurance.

Following the meeting held in Washington in August, 1919, with representatives of the American Legion, Veterans of Foreign Wars, the American Red Cross, the Young Men's Christian Association, the Jewish Welfare Board, and other noted welfare organizations, the Bureau of War Risk Insurance established, and, through the liaison division, has since maintained a close contact with these organizations, and by such contact, as well as by contact with tens of thousands of individual volunteer workers, it has been in a position to give effective aid to our soldiers, sailors, and marines on all matters pertaining to the war-risk insurance act. The liaison has sought to make the country at large understand that the Government insurance is the service man's heritage. It has given divergent force to its appeal in many forms, not only through the organized agencies for welfare work but through publications, folders, pamphlets, posters, and placards, and it has thus been able to disseminate much accurate and helpful information of immediate interest and importance to former service men and women.

The preparation, promulgation, and distribution of pamphlets and other explanatory material covering important features of the war-risk insurance act are functions of the liaison division. During the six months ended June 30, 1920, this division distributed more than 20,000,000 pieces of printed matter.

Connected with the liaison division, and an important part of it, is the special-service section, designed and established to expedite the handling of complicated or delayed cases. During the fiscal year ended June 30, 1920, the special-service section received and disposed of many thousand special inquiries, there being 52,225 congressional inquiries.

Some of the printed forms distributed in large numbers by the liaison division to former service men and women are thus briefly described:

LD-8 contains a combination of reinstatement and conversion application blanks, a list of permissible beneficiaries, and a condensed table of insurance rates.

LD-9 gives the new and liberal features of war risk (term) insurance, the premiums at all ages for the six forms for converted policies, and an illustration of the guaranteed values.

LD-29 is a blank form on which the former service man may furnish information in reference to his allotment or allowance account.

LD-30 covers compensation and medical and surgical care and supplies.

Distribution of literature, liaison division, Jan. 1 to June 30, 1920.

	Number.	Sheets run.
Current reports (LNRs)-----	52	2, 916, 500
LD forms-----	54	4, 626, 925
DFP forms-----	23	208, 250
Miscellaneous forms-----	14	2, 094, 000
Total-----	143	9, 845, 675
Number distributed:		
Form LD-8-----		6, 077, 009
Bulletin LD-9-----		2, 124, 304
Form LD-29-----		191, 000
Bulletin LD-30-----		1, 537, 946
Total-----		9, 930, 259
Number of pieces of miscellaneous printed matter distributed-----		1, 199, 545
Total distribution of printed matter by liaison division, Jan. 1 to June 30, 1920-----		20, 975, 479

Part XII.

DISTRICT OF COLUMBIA SCHOOL-TEACHERS' RETIREMENT.

There follows a brief report of the administration by this bureau of the District of Columbia school-teachers retirement act from the date of its passage, January 15, 1920, to and including June 30, 1920, the date on which, pursuant to a provision contained in the act of June 5, 1920 (District of Columbia appropriation act), the administrative functions pertaining to the teachers retirement fund were transferred to the jurisdiction of the Commissioners of the District of Columbia.

The law of January 15 contained a provision that within 60 days from its passage—

There shall be deducted and withheld from the basic salary of every teacher in the public schools of the District of Columbia an amount computed to the nearest tenth of a dollar that will be sufficient, with interest thereon at 4 per cent per annum, compounded annually, to purchase, under the provisions of this act, an annuity equal to 1 per cent of his average annual basic salary received since the passage of public act No. 254, approved June 20, 1906, for each year of his whole term of service, payable monthly throughout life, for every such teacher who shall be retired as herein provided.

The act applied to all teachers permanently employed by the board of education in public day schools of the District of Columbia, including the superintendent of public schools, the assistant superintendents, supervisors and directors of instruction, group principals, principals, special teachers, and librarians.

For the purpose of carrying out the provisions of the act during the fiscal year ending June 30, 1920, the sum of \$30,000 was appropriated and the function of administering the act vested in the Secretary of the Treasury, who, by a retroactive departmental circular, No. 190, dated May 25, 1920, designated the Director of the Bureau of War Risk Insurance to administer, under his direction, the duties conferred upon him by the act, excepting those with respect to the investment of the fund created thereunder. Prior, however, to the promulgation of the circular referred to, provisional arrangements had been made for the administration of the act by this bureau.

In view of the several intricate actuarial problems presented by the act, the services of a consulting actuary were requisitioned to review the act, prepare provisional annuity mortality tables, and make recommendations concerning the manner of application of the measure.

The first deduction from teachers' pay was made on the March pay roll. The amount of deductions ranged from \$4.30 to \$12, affecting 2,051 teachers and aggregating \$14,394.10.

For the month of April deductions were made from the salaries of 2,111 teachers, aggregating \$14,673.50; May, 2,092 teachers, aggregating \$14,664.12; and June, 2,100 teachers, aggregating \$14,635.06, making a grand total of \$58,366.78 for the period during which the act was administered by this bureau.

Of the foregoing total amount of deductions for the four months, investments have been made in 4½ per cent interest-bearing United States Liberty bonds in the sum of \$43,284.36, representing a par value of \$48,350, leaving a gross balance of \$15,082.42 in the Treasury for further investments and payment of accruing annuities.

Thirty-nine teachers from whose salaries deductions had been made subsequently resigned, and refunds were made in the sum of \$182.30, leaving a net balance of \$14,900.12. To and including June 30, 1920, the sum of \$1,114.11 had been disbursed out of the appropriation of \$30,000 on account of accrued annuities.

The data compiled from the questionnaires submitted by each teacher indicated that there were 78 teachers carried on the rolls of the board of education who have had, or will have had before the end of the calendar year 1920, a sufficient number of years of service to enable them to retire with annuity benefits ranging from \$480 to \$1,210. Of these, four were retired in April, four in May, and three in June. Nine teachers were retired by reason of superannuation, with annuity benefits, and two were retired with benefits on account of disability.

Two applications of retired teachers for annuities were denied. In each instance, the disallowance was based upon failure to show a sufficient period of service or to show a continuity of service sufficient to bring them within the terms of the act.

Of the \$30,000 appropriated to cover the expenses of operation for the balance of the fiscal year 1920, \$1,114.11 was expended, leaving an unexpended balance of \$28,885.89 in the Treasury.

By a provision contained in the act of Congress of June 5, 1920 (District of Columbia appropriation act), the administrative functions of the teachers' retirement fund were to be transferred on July 1, 1920, to the jurisdiction of the Commissioners of the District of Columbia. The administration of the act was taken over by the auditor for the District of Columbia on the 30th of June, 1920.

Part XIII.

TRADING WITH THE ENEMY SECTION.

[A section of the bureau operating under the direction of the Secretary of the Treasury.]

On April 6, 1917, the President, by proclamation, ordered that all German insurance companies then operating in the United States through branch establishments should be permitted to continue the transaction of their business as heretofore, provided that no funds be sent out of the country or be used as a basis for establishing enemy credits.

This was supplemented by the President's proclamation of July 13, 1917, prohibiting German insurance companies from continuing the transaction of marine and war risk insurance either as direct insurers or reinsurers.

The trading with the enemy act, approved October 6, 1917, provided under section IV (a) that all enemy or ally of enemy insurance or reinsurance companies doing business within the United States might within 30 days after the passage of the act apply to the President for a license to continue to do business. It further provided that, pending action upon such applications, the companies could continue to do business in accordance with the terms of the President's proclamation of April 6 and July 13. This section further provided that companies not applying for licenses within 30 days were prohibited from doing business in accordance with sections III and XVI of the trading with the enemy act.

Under section V (a) of the trading with the enemy act, the President was given authority to exercise the power conferred upon him by this act through such officer or officers as he might direct.

Accordingly, by the Executive order of October 12, 1917, section XII, the power of granting or refusing to grant such licenses to enemy or ally of enemy insurance and reinsurance companies as vested in the President by the trading with the enemy act was delegated to the Secretary of the Treasury.

By virtue of the authority vested in him by the above-mentioned Executive order, the Secretary of the Treasury on November 23, 1917, issued Departmental Circular No. 99. By section IV of this circular the Bureau of War Risk Insurance was designated to administer, under direction of the Secretary, the power of granting or withholding licenses to enemy or ally of enemy insurance or reinsurance companies doing business within the United States. From that time the Bureau of War Risk Insurance has administered the trading with the enemy act in so far as it deals with the power of granting or withholding licenses to foreign insurance or reinsurance companies.

Under the terms of the trading with the enemy act, it was imperative that all applications be filed before November 6. Any company failing to apply before that date was no longer entitled to do business in the United States. Two companies failed to apply in time within this provision, namely, Cologne Reinsurance Co. and Minerva Reinsurance & Retrocession Co. These companies were, therefore, forced to terminate their United States business as of November 5, 1917. The following 16 insurance companies applied for licenses prior to November 5, 1917:

Aachen & Munich Fire Insurance Co., Aix-la-Chapelle, Germany (fire).

Allianz Insurance Co. (Ltd.), Berlin, Germany (marine).

Balkan National Insurance Co., Sofia, Bulgaria (fire).

First Bulgarian Insurance Co., "Bulgaria," Rustchuk, Bulgaria (fire).

Frankfort General Insurance Co., Frankfort, Germany (casualty).

Frankona Reinsurance Co., Berlin, Germany (fire).

Hamburg-Bremen Fire Insurance Co., Hamburg, Germany (fire).

International Reassurance Co. (Ltd.), Vienna, Austria (fire).

Mannheim Insurance Co., Mannheim, Germany (marine).

Mercury Reinsurance Co., Cologne, Germany (life).

Munich Reinsurance Co., Munich, Bavaria (fire).

Nord-Deutsche Insurance Co., Hamburg, Germany (fire).

Nord-Deutsche Insurance Co., Hamburg, Germany (marine branch).

Prussian Life Insurance Co., Berlin, Germany (fire).

Prussian National Insurance Co., Stettin, Germany (fire).

South German Reinsurance Co., Munich, Bavaria (fire).

On November 7, 1917, orders were issued to the effect that the Secretary of the Treasury would hold a hearing on Thursday, November 15, concerning the advisability of granting licenses to enemy or ally of enemy companies to continue business in this country. Copies of this notice were sent to all interested parties, and on November 10 the notice was given to the press. Pursuant to these notices a hearing was held on the date set. The representatives at the hearing were given time to file briefs supplemental to their oral arguments. The briefs submitted are on file in the Treasury Department.

Following this meeting, the Secretary of the Treasury, on November 26, 1917, announced his decision that all insurance companies existing under the laws of enemy or ally of enemy countries, other than life insurance companies, must liquidate their United States business. This liquidation was to be carried on by their United States branches, subject to the supervision of the Treasury Department and the Alien Property Custodian.

On November 27 liquidating licenses were issued to such companies. These licenses prohibited them from accepting new business with the exception that business might be accepted under existing reinsurance contracts within 45 days from the date of the license. This clause was given to protect the interest of the American insurance companies that had outstanding contracts with the companies under liquidation.

Pursuant to the Secretary of the Treasury's decisions of November 14 and 15, 1918, the licenses of the following companies were revoked on November 18, 1918, and their assets and affairs taken over by the Alien Property Custodian in accordance with the Executive order of November 12, 1918:

Aachen & Munich Fire Insurance, Aix-la-Chapelle.
 Allianz Insurance Co., Berlin.
 Frankona Reinsurance Co., Frankfort.
 Hamburg-Bremen Fire Insurance Co., Hamburg.
 International Reassurance Co. (Ltd.), Vienna.
 Mannheim Insurance Co., Mannheim.
 Munich Reinsurance Co., Munich ("United States Department" and "Foreign Department").
 Nord-Deutsche Insurance Co., Hamburg (both fire and marine offices).
 Prussian National Insurance Co., Stettin.
 South German Reinsurance Co., Munich.
 Swiss National Insurance Co.
 Mercury Reinsurance Co.
 Prussian Life Insurance Co.
 Frankfort General Insurance Co.

This was followed on January 15, 1919, by similar action taken against the Balkan National Insurance Co. and the First Bulgarian Insurance Co.

All of these companies were advised by telegram that their licenses had been revoked and that their assets and affairs would be taken over and liquidated by the Alien Property Custodian. All other companies with which the enemy companies had reinsurance contracts were also notified by telegram and letter of the action taken by this department.

Whenever licenses were granted or amended the original licenses were sent to the United States managers of the enemy companies, certified copies to the insurance commissioners of the various States in which the head offices of the companies were located, copies to the insurance commissioners of all States and Territories in which the companies concerned operated, and to all insurance companies with which the licensed companies had existing reinsurance contracts.

NEUTRAL AND ALLIED COMPANIES.

Prior to February 1, 1918, only enemy or ally of enemy insurance companies had been required to obtain licenses to continue or liquidate their United States business. By an Executive order of December 7, 1917, the President, acting under the authority of section IV (b) of the trading with the enemy act, extended to all foreign insurance companies the provision requiring that a license be obtained from the Secretary of the Treasury to continue to do business in the United States after February 1, 1918.

At first it was intended to grant identical licenses to all the foreign companies, and a form was prepared. This form was never used, for representations were made by the British Embassy that different provisions should be made for the British companies because Great Britain had adopted laws to prevent trading with enemies. Ac-

cordingly, on January 28, 1918, a blanket license was granted to cover all British insurance companies. A similar license was granted on the same date to cover all French insurance companies. These two general licenses applied only to British and French companies transacting business in the United States at that time. On January 29 similar blanket forms of licenses were issued to all other insurance companies that had applied and which were incorporated under the laws of the several neutral countries. These licenses prescribed the terms upon which these foreign companies might continue their United States business.

The original blanket licenses to British, French, and neutral companies are filed in the Treasury Department. Copies were sent to the United States managers of the respective companies and to the insurance commissioners of all the States and Territories.

In order to prevent information which might be of value to the enemy becoming available through disloyal persons regulations were effected. The regulations were drafted after consultation with the National Board of Fire Underwriters and the American Institute of Marine Underwriters. Copies of these regulations were inclosed with a letter, dated January 24, 1918, addressed to all British and French insurance companies doing business in the United States, with the request that they advise the Treasury Department of their adoption of these regulations.

On February 7, 1918, all foreign insurance companies other than British and French were notified that sections 2, 3, and 5 of their licenses required that no maps, surveys, inspections, bordereaux, or other information or reports should be sent out of the United States except with the permission and under the regulations of the Secretary of the Treasury. In accordance with these conditions, all such reports, etc., were filed with the Treasury Department for a period of three months, at the expiration of which they were forwarded to destination. A room was equipped for listing and filing these reports, and they were held subject to censorship by this office.

On November 26, 1918, the United States managers of all neutral companies sending bordereaux (reports) to the Treasury Department in accordance with conditions 2, 3, and 5 of their licenses were notified by letter that all bordereaux filed in the Treasury Department had been placed in the mails. They were advised that the regulations requiring these offices to forward their reports to the department had been waived and that they might forward direct, subject to postal censorship, all such communications.

On the same date the Russian companies sending reports to the Treasury Department were notified by letter that all such reports on file in the department were being returned to their offices. They were advised that unless otherwise notified it would be unnecessary in future to send bordereaux to the Treasury Department; that same might be sent direct from their offices, subject to such postal censorship as may exist when the mail service to Russia is resumed.

On December 5 and 6, 1918, all bordereaux on file in the Treasury Department were deposited in the mails for transmission to destination.

On December 6, 1918, a letter was addressed to all British and French insurance companies which had adopted the regulations for

insurance companies approved by the Secretary of the Treasury advising that the regulations had been waived.

On December 9 all neutral and also the Russian companies granted licenses by the Secretary of the Treasury were advised that the requirements of conditions 2, 3, and 5 of their licenses had been withdrawn and they might forward communications coming under these sections subject to postal censorship.

On January 18, 1918, circular letters, inclosing copies of the "Regulations for Insurance Companies Concerning Custody and Transmission of Information, etc., Approved by the Secretary of the Treasury," which were sent to all British and French insurance companies, were sent to all American insurance companies requesting them to adopt these regulations. At the same time they were advised that the regulations were not mandatory as to American companies, but they were asked to advise the Secretary of the Treasury that they had adopted them.

On January 31 circular letters, inclosing copies of the regulations, were sent to rating and inspection bureaus, and they were also requested to adopt the regulations.

Paragraph 6 of the regulations as approved by the Secretary of the Treasury provided that no surveys of vessels to foreign ports or inspection of premises engaged in or used for Government work should be made or authorized after March 15, 1918, except by inspectors whose records and nationalities have been investigated by the company or organization concerned, and that a report concerning each such inspector be transmitted to the Secretary of the Treasury.

On February 15 the various companies concerned were notified that no inspectors would be permitted to make surveys of vessels to foreign ports or premises used for or engaged in Government work after March 15 unless they had passes from the Treasury Department. Accompanying this letter was a supply of certificates of information which were to be completed by the inspectors of the different companies. The companies concerned were advised that this requirement would go into effect as of March 15, 1918, but this was later changed to April 15, 1918.

On or about April 1 a conference was held with the fire-prevention section of the War Industries Board, when it was determined that this section of the War Industries Board should pass upon the handling of these applications and dispose of the matter of issuing passes so far as fire insurance companies were concerned. It was also decided to permit the Department of Justice, who had charge of issuing passes in connection with water-front property, to handle the licensing of inspectors in connection with marine insurance companies, and this was done.

Therefore, on or about April 10, all documents pertaining to applications and licensing of inspectors of fire insurance companies were passed on to the fire-prevention section of the War Industries Board and as regards marine insurance companies to the Department of Justice.

On April 13 the various companies were notified that the disposition of this matter was left to the fire-prevention section of the War Industries Board in connection with the fire insurance inspectors and to the Department of Justice in the case of marine inspectors.

At the present time all foreign insurance companies in the United States (which are companies existing by reason of the laws of the several allied Governments and of the neutral powers) are operating under licenses granted by the Treasury Department. From time to time companies already established in foreign countries are applying for American licenses. This condition has especially been noted in the case of British companies, indicating that there is great activity in insurance circles in that country since the cessation of hostilities, especially as regards American business.

Part XIV.

PERSONNEL DIVISION.

When the act creating the Bureau of War Risk Insurance became a law an enormous amount of work had already accumulated for this new Government organization so closely related to the welfare and happiness of the families of our men bearing arms in defense of their country. The necessity for rapidly selecting a large working force was imperative. There was no precedent by which to govern the growth of this new business enterprise. Older bureaus and departments, on account of their known permanent status, were obtaining the better trained clerical force available, so that the bureau's urgent need for employees necessarily resulted in the selection of a personnel less desirable in many instances by reason of their lack of any business efficiency whatever. Thus the personnel of this bureau, created overnight, as it were, grew from a total of approximately 100 employees in October, 1917, to over 3,000 employees in March, 1918, and finally reached the maximum total personnel of 17,336 employees on March 6, 1919. This personnel included contract employees on annual, daily, hourly, or piece-rate basis, as well as employees on a permanent and temporary status under the civil service. The services of a night force and a day force were utilized, and the total personnel at one time was scattered in 17 buildings all over the city. This bureau was organized after other bureaus had taken almost every available foot of office room, and its accommodations therefore were the poorest of them all. Personnel operations were carried on in the chief clerk's division prior to the latter part of 1918. The records show an appointment section or division in October, 1918. In March, 1919, recommendations for the organization of a personnel division were submitted, and in April, 1919, these recommendations were carried out.

The greatest business problem to-day is the human problem of labor and the wise handling of employees. Increasing organization and scientific management in business have finally made employment and the adjustment of labor relations a special function. The Bureau of War Risk Insurance, which is the largest business of its kind in the world, has fully recognized this fact, and has established for this important function a personnel division under the control of an assistant director. The study of and attention to the selection and the general welfare of the personnel, as well as the development of cooperation among employees, furnish one method of increasing business efficiency. Probably no other business enterprise in this country has taken more rapid strides toward sound organization and efficient business management than the Bureau of War Risk Insurance.

The application of scientific analysis to the problems in personnel administration is of recent usage. However, more and more, busi-

ness policies are now being advocated founded upon a scientific study of facts. Ideas upon the complicated activities of large establishments are likely to be decidedly vague and indefinite unless a reduction to figures is made to enable us to give a clear-cut form to our conceptions; and statistics, "classified facts," or "the science of counting" are indispensable as bases for decisions of policy and method. Personnel statistics permit of future comparisons; they furnish proof in support of policy recommendations and experience in personnel administration; and they have special historical value in furnishing for future reference a permanent record of activities, growth, and development. But in spite of their importance, little or no statistics upon personnel activities in the Bureau of War Risk Insurance were kept prior to August, 1919. During the past fiscal year the statistics upon subjects related to the personnel of the bureau have made facts the basis for action.

The personnel division during the past year met with new problems arising from the necessity of reducing the total personnel in the Bureau of War Risk Insurance. The operations in personnel activities were reversed, and attention was turned from the selection, receiving, and retention to the discontinuing, replacing, and separation of employees. In fact one of the most important operations of the entire fiscal year was the huge task of reducing the total number of employees in the Bureau of War Risk Insurance, which was practically accomplished during the fiscal year covered by this report.

During the first few months of the annual period ending June 30, 1920, the personnel of the Bureau of War Risk Insurance was still expanding. A large number of persons were interviewed daily with reference to employment within the various divisions. There were approximately 5,000 requisitions for additional employees throughout the bureau on file awaiting the approval of the new chief of the personnel division on September 1, 1919, and of these about 3,700 requisitions were for additional personnel in one division alone. Prior to this date, in June, 1919, so much difficulty was experienced in obtaining employees with the desired qualifications that representatives were sent to New York, Boston, and other cities to cooperate with the Civil Service Commission in an effort to secure them.

The problem in connection with the readjustment of personnel was the placing of the bureau upon an efficient, permanent basis, permitting the maximum output of work, by retaining only approximately 50 per cent of the total force and at the same time by utilizing the services of only the best qualified regular civil-service or permanent employees. The employees in the bureau were divided into three groups, namely, permanent, temporary, and contract employees. The permanent and temporary employees comprised the regular roll or register. The contract employees, comprising the contract roll or register, were also divided into three groups, namely, employees on the annual basis, on the daily basis, and on the hourly (or piece-rate) basis. During the first part of the year a large night force was employed, and there was no apparent decrease in the amount of work to be completed by both the day force and the night force. There were hundreds of requests for additional employees throughout the bureau, and the solution of the problem of materially reducing the bureau's large staff of employees at first seemed impossible.

The total number of employees in the bureau, however, was reduced during the annual period from 13,771 employees at the opening of the business day on July 1, 1919, to 7,862 employees at the opening of the business day on July 1, 1920, thus making a total reduction of 5,909 employees, or a net decrease of over 42 per cent. There were 6,298 additions and 11,902 separations actually made upon the regular and contract registers during the fiscal year, making a net separation of 5,604 employees. A difference of 305 exists between the net decrease as shown by total employees and the net separation according to additions and separations. This difference is accounted for in large part by the lack of reliable statistical data in July and a portion of August, 1919, thus making necessary various corrections when the compilation of the figures for these months was finally completed after personnel statistics were better organized and developed. The total reduction in the bureau's personnel accomplished during the actual readjustment period amounted to over 47 per cent, there being 14,914 employees in the bureau on November 1, 1919, as compared with 7,862 employees on July 1, 1920, thus making a total net decrease in employees of 7,052. During this period there were 1,278 additions and 8,257 separations made upon the regular and contract registers, with 73 net separations by changes from the suspense roll.

Although there was a reduction in the bureau's total employees for the fiscal year of over 40 per cent, the number of pieces of unanswered mail in the bureau decreased from 217,723 at the opening of the annual period to only 75,721 at the close of the fiscal year. The number of claims for death and total disability showed a decrease during the 12 months' period of 7,606. And although the number of employees in the insurance division decreased during the fiscal year from 4,269 on June 30, 1919, to 3,252 on June 30, 1920, the number of term-insurance reinstatements increased from 2,205 on June 30, 1919, to 90,026 on June 30, 1920, and the number of applications and amount of permanent United States Government life insurance applied for increased from 3,307 applications, or \$11,022,500, upon the first day to 163,210 applications, or \$538,578,000, at the close of the annual period.

In carrying out the policy of retaining only permanent or civil-service employees, all temporary and contract employees were given opportunities throughout the year to take civil-service examinations and be certified to the bureau. There were 1,525 temporary employees given a permanent status after complying with the civil-service requirements. A total of 2,704 contract employees was changed from the contract to the regular roll, and 855 of these were given a permanent status. Plans were established to accomplish a gradual replacement or the elimination of the remaining temporary and contract employees. The number of temporary and contract employees in the bureau at the close of the fiscal year was practically negligible. The total number of contract employees on July 1, 1919, was 1,452, and on July 1, 1920, was 6, thus making a yearly decrease of 1,446, or over 99 per cent. The total number of temporary employees in the bureau decreased during the annual period from 2,375 on July 1, 1919, to 313 on July 1, 1920, thus making a reduction of 2,062 temporary employees, or over 86 per cent. A large percentage of temporary employees remaining on the bureau's rolls at

the close of the business day June 30, 1920, were ex-service employees who had established their claims to military preference.

In carrying out the gradual reduction program in connection with the readjustment of personnel, the number of permanent employees in the bureau was also reduced from 10,221 on November 1, 1919, to 7,543 on July 1, 1920, thus making a reduction of 2,678 permanent employees, or a net decrease of 26 per cent. However, the number of permanent employees in the bureau on November 1, 1919, represented only 69 per cent of the total employees, while this percentage on July 1, 1920, had increased to almost 96 per cent. In the readjustment of personnel a considerable number of civil-service employees were found surplus in some divisions, and many of these were utilized in positions from which contract employees were released, which in many instances necessitated divisional transfers. There were 7,439 transfers of employees from one division to another within the bureau for various reasons during the fiscal year, the majority of which were caused by the discontinuance and creation of certain sections.

During the fiscal year a promotion policy was planned and developed and finally put into operation in January, 1920. This promotion policy allotted a fixed budget for promotions on a per capita basis to each division for each succeeding month. The distribution of the salary increases, although the funds were limited, had a most salutary effect upon the general efficiency and stability of the bureau's personnel during the trying period of personnel readjustment. At the same time less money was expended than by putting through the regular promotion schedule on a semiannual basis. Policies reducing the total number of absences and employees tardy in the various divisions, with particular attention paid to decreasing the number of employees on leave without pay and absent with no report, were established with marked success. Attention has been paid to the general welfare of the employees, and efforts along this line have been well paid in a better morale and in the gradual improvement of individual efficiency.

The personnel division itself was reorganized along lines of centralization of authority and responsibility. Special effort was put forth to make the permanent records the most accurate and complete in any Government department. Various sets of records were combined, and the personnel and time units of the various divisions, together with all records pertaining to their work, were absorbed by the personnel division, thus eliminating all duplication. A new visible index system was installed, and it contains detailed information, kept current from day to day, upon each employee in the bureau. The personnel files have been thoroughly rebuilt, and a complete file for every employee has been established, which is readily available at all times. The index system has been completed and permits the immediate location in the bureau of employees with any desired qualification. New and intelligent statistical reports and a series of "Monthly statistical summaries" covering the activities in personnel in the various divisions have been developed, and these records, putting in definite form the current history of movements in the bureau's personnel, have revealed the actual conditions from day to day.

Part XV.

RECOMMENDATIONS.

1. On November 5, 1919, a bill (H. R. 10365), popularly known as the Wason bill, was introduced in the House of Representatives, which provided—

(a) That the Bureau of War Risk Insurance is hereby authorized to establish throughout the United States such regional offices, not exceeding 14 in number, and such suboffices as may be deemed necessary in the best interests of the work committed to said bureau.

(b) That the Bureau of War Risk Insurance is hereby authorized to advertise in such newspapers, magazines, periodicals, and other media as shall be deemed advisable in order to expeditiously acquaint all persons who are entitled to the benefits established by the war risk insurance act of their rights and privileges therein.

(c) That under such rules and regulations as the Secretary of the Treasury and the Postmaster General may prescribe the Postmaster General is hereby authorized to collect the war-risk insurance premiums and act for and turn over to the Secretary of the Treasury the money so collected, and also he is authorized to receive and transmit to the Bureau of War Risk Insurance applications for reinstatement of lapsed or for converted insurance. In making such collections he is hereby authorized to use postal money orders, postal notes, war-risk insurance coupons, or any other method of collection which may be deemed most expedient and satisfactory.

(d) That whenever a claim under United States Government life insurance (converted insurance) is to be paid because of total permanent disability of the insured such payment shall be made out of the military and naval insurance appropriation.

(e) For the purpose of carrying out the provisions of paragraphs (a) and (b), above, an initial appropriation of \$2,000,000 should be authorized.

In April, 1920, the so-called Wason bill was reintroduced in the House of Representatives (H. R. 13558), and was passed by the House on May 5, 1920. It was then introduced in the Senate, but did not pass before the close of the special session of Congress, which ended on June 5, 1920.

The Wason bill as passed by the House (H. R. 13558) contained several provisions that were not included in the original Wason bill (H. R. 10365), and, too, one feature of the original Wason bill, which authorized the Bureau of War Risk Insurance to advertise in order that all persons being entitled to benefits established by the war risk insurance act might become cognizant of such rights and privileges, was not included in the bill as passed by the House and as the bill now stands before the Senate.

Among the more important provisions included in the present "Wason bill" (H. R. 13558) are the following:

(a) Authority for the establishment of 14 regional offices throughout the United States and such suboffices as may be deemed necessary.

(b) Authority for the utilization of the facilities of the Postal Service for the collection of insurance premiums and for the reinstatement and conversion of insurance.

(c) Authority to relieve from the payment of premiums on renewable term insurance the following classes of persons:

Beneficiaries of the war risk insurance act receiving hospital care.

Beneficiaries of the Rehabilitation Division of the Federal Board for Vocational Education.

Beneficiaries under the war risk insurance act who are temporarily rated as totally disabled.

(d) The furnishing of free hospital, dental, medical, and surgical care and treatment and prosthetic appliances for all honorably discharged ex-service men, disabled by reason of any wounds or injuries incurred in active service in line of duty, regardless of the percentage of disability. (Under the existing war risk insurance act only those whose disability is rated at 10 per cent or greater may receive medical care and treatment.)

2. The war risk insurance act, as amended, provides that medical care and treatment and the furnishing of prosthetic appliances may be furnished *in addition to compensation*. It is deemed advisable to amend the war risk insurance act further to authorize the furnishing of medical care and treatment, including prosthetic appliances, for injuries or diseases contracted in or aggravated by military service without the necessity of paying compensation. Many ex-service men and women are in need and are entitled to governmental medical care and treatment because of wounds or diseases sustained or aggravated by reason of their military service, and yet the medical care and treatment required is of such a temporary nature, such as the removal of tonsils or the extraction of teeth, sufficient only to incapacitate the patient for a day or two. Under such circumstances it is very difficult, from an administrative point of view, to calculate and to pay compensation covering a period of two or three days or even a week; especially does it seem unnecessary to pay such compensation since the patients undergoing this treatment do not themselves desire any compensation, but only the treatment.

3. The present war risk insurance act provides that hospitalization, medical care, and treatment, including the furnishing of prosthetic appliances, may be furnished for injuries or diseases contracted in or aggravated by the person's military service. Under this limitation a war-risk patient suffering seriously from tuberculosis, being entitled to and receiving compensation and medical care and treatment, receives a new injury or disease, while separate and apart from the tuberculosis and can not in itself be traced directly or indirectly to the military service, it is none the less a serious element in the retarding of the patient's progress in the arrest or cure of tuberculosis. It is very difficult, indeed—in fact, it is almost

entirely impracticable—for the Government to be treating a war-risk patient for a disability or disease traceable to his service and to ignore other new injuries or diseases which in themselves affect very materially the patient's progress in the recovery from the injury or disease contracted in or aggravated by military service.

A further amendment should be made to the war risk insurance act, to clarify and conform the bureau's existing practice, authorizing the furnishing of such medical care and treatment, including prosthetic appliances, to war-risk patients for any new injury or disease suffered subsequent to their discharge and which aggravates and affects the Government's treatment of the patient for such injury or disease which was directly traceable to military service.

4. Under the sundry civil bill for the fiscal year July 1, 1920, to June 30, 1921, which was passed by Congress before the close of the special session of Congress June 5, 1920, authorization was granted the Bureau of War Risk Insurance to utilize, in addition to the hospital facilities of the United States Public Health Service for the care and treatment of war-risk patients, the hospital facilities of the War and Navy Departments and the National Homes for Disabled Volunteer Soldiers. Authority to use these additional governmental hospital facilities relieves the situation tremendously. It is expected that by the close of the next fiscal year there will be approximately 5,000 war-risk patients in the Navy Department hospitals, in the War Department hospitals, and hospitals of the National Soldiers' Home. While the use of Army and Navy hospitals should be regarded as temporary, yet such temporary period might last, in a diminishing degree, for a period of perhaps five years. While on the other hand the hospitals of the National Soldiers' Homes might well be regarded as of a permanent nature, provided the patients are kept properly separated from persons domiciled at the homes.

It is recommended that so long as there is urgent need for additional hospital beds all available governmental hospital facilities be utilized to the maximum extent before contracting for new facilities or making use of private facilities.

It is further recommended that negotiations be entered into between the Government of the United States and the governor of the State, the legislature of such State, or States, in which there is urgent need for additional hospital facilities for the care and treatment of war-risk patients, and to encourage such States to appropriate sufficient funds and to build necessary hospital facilities as may be required in their State for the care and treatment of the disabled veterans of the World War, patients of the Bureau of War Risk Insurance, the Government of the United States agreeing to lease such hospitals upon completion for a period of years (subject to appropriations by Congress) and the rental to be fixed at a proportional part of the cost to the State for the construction of the hospital, the Government having the option to purchase said hospital at any time during the lease period, and if purchased, to be credited with the moneys already expended in rentals; it also being agreed that the Government of the United States would equip and pay the upkeep of said hospitals upon completion and during the period of the lease. Since the hospital facilities of the majority of States are by no means

sufficient to accommodate the everyday demand, and since the disabled veterans of the World War are, by reason of their injuries or diseases contracted in the military service, none the less residents of the States, there is in fact morally a dual obligation between the Federal Government and the State to care for these disabled men and women. By carrying out this proposal, the State would be meeting what might be well regarded as their moral obligation to furnish sufficient hospital facilities within the State, which it becomes the obligation of the Federal Government to maintain, at least, so long as is required in the care and treatment of those who have suffered injury or disease in the military or naval service of their country.

By utilizing to the maximum the available Government hospital facilities, and by extending these facilities to the utmost, and by securing the cooperation of various States in the construction by the States of hospitals, it will reduce to a minimum appropriations to be made by Congress.

5. Experience has demonstrated very clearly that it is unsatisfactory to the ex-service men and women and to the Government alike to separately administer several distinct services to ex-service men and women. Beyond all question, it would be to the mutual advantage of the Government and its beneficiaries if Congress would consolidate all Federal agencies dealing with ex-service men and women, centralizing responsibility, authority, appropriations, and disbursements.

Respectfully,

R. G. CHOLMELEY-JONES, *Director.*

The SECRETARY OF THE TREASURY.

